REQUIRE THE SECRETARY OF AGRICULTURE TO DISSEMINATE FARM INCOME ESTIMATES

HEARING

BEFORE THE

SUBCOMMITTEE ON AGRICULTURAL RESEARCH AND GENERAL LEGISLATION

OF THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

S. 2291

A bill to require the Secretary of Agriculture to disseminate farm income estimates

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REQUIRE THE SECRETARY OF AGRICULTURE TO DISSEMINATE FARM INCOME ESTIMATES

TUESDAY, SEPTEMBER 14, 1982

U.S. SENATE,
SUBCOMMITTEE ON AGRICULTURAL RESEARCH
AND GENERAL LEGISLATION OF THE
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:35 a.m., in room 324, Russell Senate Office Building, Hon. Richard G. Lugar (chairman of the subcommittee) presiding.

Present: Senators Lugar and Dixon.

STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM INDIANA

Senator LUGAR. This Committee on Agriculture, Nutrition, and Forestry is called to order.

At the outset, I would express my appreciation to the witnesses who have come today for an important hearing on Senate bill 2291. This legislation requires the Secretary of Agriculture to disseminate farm income estimates.

By way of explanation, during the markup on the CFTC, Senator Dixon of Illinois requested the opportunity to amend that particular piece of legislation with S. 2291, seeking an opportunity for discussion, debate, and a general forum for this subject. Senator Helms, chairman of the committee, successfully planned with Senator Dixon on that occasion to forebear from offering the amendment at that time, but promised that, in fact, a hearing would be held at which the demerits of S. 2291 could be discovered and discussed. That day has come, and in fact Senator Dixon will shortly be chairing the hearing and listening to the witnesses.

I apologize for my inability to stay throughout the hearing. I am going to be involved in other hearings this morning and it is the custom of our committee, when a member of the majority party is asked to commence a hearing, but if that member, in this case myself, has full trust and confidence in the minority member, then he may turn over the gavel. I have full trust and confidence in my able colleague, Senator Dixon, to conduct a fair hearing and make a good record on this particular piece of legislation, then together we will report the findings and the residue of the hearing to the full committee.

So at this time I would like to yield the Chair to Senator Dixon, with thanks to him for his willingness to hear the witnesses out and make the record on this legislation.

STATEMENT OF HON. ALAN J. DIXON, A U.S. SENATOR FROM ILLINOIS

Senator DIXON. Thank you, Senator.

I certainly thank the Chair, my distinguished friend, the Senior Senator from Indiana, for the confidence he has placed in me in permitting me to proceed with this hearing at this time.

We have a list of a number of witnesses. William Lesher, the Assistant Secretary for Economics of the U.S. Department of Agriculture, who is familiar to any in this room who regularly attend the meetings of the Agriculture Committee; J. B. Penn, of Economic Perspectives, McLean, Va.; Ray Daniel, of Chase Econometrics, Bala Cynwyd, Pa.; Mardy Myers of Arlington, Va.; and Robert Mullins, of the National Farmers Union.

The first thing I will do is make a statement of my own and then, Dr. Lesher, we will recognize you.

I am pleased that we are able to meet today to receive testimony by knowledgeable persons on the necessity of having access to important information that the Department of Agriculture compiles. As you know, many farmers and others vitally interested in the farm economy were distressed to find that the administration had earlier this year embargoed the release of information on farm income.

I consider this to be an inappropriate policy decision. The administration's action raised fears that the income outlook was so bad that the Department of Agriculture was reluctant to give an estimate.

As a result, on March 29, eight of my colleagues and I introduced S. 2291, a bill to require the Secretary of Agriculture to publish each month his Department's estimates of gross farm receipts, agricultural production expenses and the net farm income. Subsequently, the Agriculture Committee expressed the opinion in report language to accompany H.R. 2160, that the Secretary should resume the practice of allowing public access to farm income forecasts as called for in S. 2291. The Department has ignored the committee's intention.

The bill would not require any new program to be established. It would not require any new personnel. It would simply require that the previous schedule for release of farm income forecasts be reinstated. The bill would require this administration to be as open about its statistical information as previous administrations—Republican as well as Democratic administrations.

For effective and responsible government, all parties involved in the policymaking process must have some basic agreement on economic conditions if agricultural policy is to be informed and productive. Because the Department of Agriculture would not provide its analyses of farm income in 1982, nor even discuss the farm income outlook for 1982, we had no agreement on the basic facts as a starting point for discussion. Consequently, there was little discussion—this administration asked for and received broad discre-

tionary authority to make policy and refused to release statistics to allow Congress to monitor the success or failure of this administration's policies.

The recent, belated release of a forecast of farm income in 1982 is a fair barometer of the effectiveness of this administration in promoting exports and increasing agricultural prices. Maybe Dr. Lesher and others will point out that the Department's farm income numbers, while at an all-time low, is not as bad as earlier estimates by private forecasters. However, without the payment of advance sufficiency payments of about $4 billion this fall, as required in the Omnibus Reconciliation Act of 1982, farm income in 1982 would be a worse disaster.

Monthly publication of current economic statistics, as called for in S. 2291, is hardly an unusual occurrence. Most major indicators of the state of the economy are published monthly. We receive labor statistics such as the unemployment rate and estimates of the number of people employed. We receive price statistics such as the Consumer Price Index and the Producer Price Index. We receive national income statistics, such as gross national product and personal income statistics. Why shouldn't we have knowledge of the current status of the farm income?

USDA has claimed that farm income for 1982 could not be forecast accurately until September, yet every other administration has faced this same uncertainty and still published, much earlier, a forecast prepared using the best professional expertise available within the Department. Their forecasts have been of great value to Congress in overseeing the operations of the Department and in evaluating legislative proposals.

The professionals at the Department and the users of the farm income estimate are aware of the uncertainty inherent in forecasts. As long as the inaccuracies are the result only of statistical estimating procedure, the public interest, in my opinion, is served. The issue here is how to separate the administration's politics from the statistical science which has traditionally supported the farm income statistics.

The level of farm income is an important indicator of the health of rural America. The level of farm income helps Congress to evaluate whether or not legislative action is required to preserve our vital food and fiber producing industry, an industry that contributes more to our balance of payments than any other. It is intolerable that we in the Congress should be denied the information available to the Secretary of Agriculture.

I am requested to insert into the record at this point a statement by Senator Zorinsky of Nebraska.[1]

At this time, it pleases me to call an old friend that I will probably pick on a little bit today, Dr. William Lesher, the Assistant Secretary for Economics of the U.S. Department of Agriculture.

Mr. LESHER. Good to see you, Senator.

Senator DIXON. Good to see you, Bill.

Mr. LESHER. Is this where you want me to sit?

Senator DIXON. Whatever suits you, my friend.

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[1] See p. 41 for the prepared statement of Senator Zorinsky.

STATEMENT OF HON. WILLIAM G. LESHER, ASSISTANT SECRETARY FOR ECONOMICS, U.S. DEPARTMENT OF AGRICULTURE

Mr. LESHER. Thank you, Mr Chairman.

It is a pleasure to be here this morning.

We are indeed friends; we just sometimes disagree on small matters like this; but perhaps we can through the course of this morning's hearing separate the grain from the chaff and talk about the real issues at hand.

I would like to introduce the staff I have brought with me, Mr. Chairman. The Deputy Administrator of the Economic Research Service, George Hoffman, is with me to help out if we get into any kind of technical issues.

I have a lengthy statement, Mr. Chairman. If it would be OK with you, I will submit this statement for the record and make a brief statement.[1]

Senator DIXON. Fine. We will insert that in the record.

Will you give that to the reporter, please, along with the statement of Senator Zorinsky.

Mr. LESHER. I will start out by saying that when I accepted the job as Assistant Secretary of Economics, in my mind a very important part of the job was to make sure that the Department's statistics and analyses are credible and reliable. I must say I take that job very seriously. I think in the longer run, if we don't make sure that the estimates are free from any kind of influence, one way or the other, we will all lose. You lose credibility in the Department, and you lose credibility in the Congress and everywhere else. In the last 2 or 3 years, as you know, cost estimates and budget numbers have been a major part of the policymaking process. Everyone gets mad with each one's numbers and questions their validity. We are really trying to keep the USDA, to the fullest extent possible, out of producing numbers that really don't have much validity.

With that sort of background, Mr. Chairman, when I came on in late January 1981 and we began to prepare for the Outlook Conference the following November, the Department of Agriculture did not have a stated policy with respect to farm income estimates. Normally, in November, we had the Outlook Conference and we would forecast what net farm income would be for the coming year. For example, this November we would forecast what the net farm income would be for 1983. Normally this has been the standard procedure. However, I would hasten to go back to previous years when other procedures were followed. In 1976, for example, there was no estimate until December of that year. So in essence what you had was no policy at all. It was subject to change.

Well, I don't think that is necessarily a good policy. I think we should have one that is stated very clearly and concisely and it should remain constant over time. So before we held our first Outlook Conference we looked at the procedure for forecasting net farm income. We asked is it reliable? Does it serve the public interest? When can we do a good job of forecasting net farm income?

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[1] See p. 43 for the prepared statement of Mr. Lesher.

What kind of policy should we establish to report net farm income forecasts?

We decided at that time that we could not accurately forecast net farm income so far in advance. We could not even estimate net farm income for the current year until after the August crop report. The reason being that, for example, a dime change in the price of corn can change the net farm income by $400 million. Thus, small changes can impact the estimate greatly. So we established a policy which after the August crop report and after a firm estimate of the previous year's net farm income was made, would then give us a solid basis in the September Agricultural Outlook report to forecast net farm income. That is what we have done this year; that is the policy stated in the April Agricultural Outlook report. And, unless Congress legislates a change in it, that is the policy that we will proceed with year after year. I really think this will serve all of us well in the future. I also think that having a policy like this is a good one. In this way—rather than interject politics or other factors in to it—you take such influences out of it.

We now have a policy; everyone knows when the forecast is coming; they know that you have the basis from which to make a reliable forecast that can stand up to close scrutiny.

There are three primary reasons why we think that the enactment of your bill, Senator, would not serve the public interest.

One is that net farm income is not necessarily a useful measure of the health of the agricultural economy. I am not going to get into this in great detail. It is in my testimony. I would say that one doesn't need net farm income forecasts to know how things are going in agriculture. You can look at the grain and livestock prices and get a pretty quick fix as to what the situation is.

The second is that the variability in the forecast is very large and it is impacted by a diverse set of factors which undermine its reliability. Let me just give you an example.

If in fact you underestimate gross income and overestimate production expenses for the year by 2 percent each, you can have a change in that net farm income forecast of 30 percent. That is a very large swing and, as you know, 30 percent translates into billions of dollars. The difficulty of forecasting net farm income has grown more difficult rather than easier.

We are now an international agricultural economy as you know. Illinois is the top agricultural producing State. You export much of your corn and soybeans and other products. And as we rely more on the international markets, more factors affect the prices farmers receive for their crops. The exchange rates now play a significant role in how much we export. Interest rates are definitely a factor in farm incomes; if you had a change of 1 percent in the interest rate on all debt outstanding in the farm economy you would affect net farm income by about $2 billion.

These are only some of the factors. And I have not even mentioned that you have to project the weather, which no person can do. So, it is getting more complex and the chances are getting worse, rather than better, that you can make accurate predictions.

The third primary reason is, I think, the most important. I suppose, Senator, we all have our biases—and I have a bias toward producers. If it really doesn't help an individual farmer, I often

question why we should be doing it. I have checked back through the records. I have not received one letter from a farmer seeking earlier forecasts of net farm income. I don't think the Economic Research Service has received one letter from a farmer seeking advance forecasts in net farm income either. They really are not interested in this. They will write about lower farm prices, which certainly is a problem, or interest rates that are too high—but they are not seeking income forecasts. And, I will say honestly, it is my policy decision that I am talking about, that I feel strongly that it is the right policy. If I felt for one moment that it would serve individual farmers' interests, forecasts would be released tomorrow. I sincerely mean that. Anyone can go and talk to the farmers in their area and ask, what is your net farm income going to be this year? And they will say, "well, I really don't know." You can't get an answer from the farmers because he or she hasn't sold their crops yet; they do not know what prices they are going to receive. You cannot get a firm answer.

Senator DIXON. Yet you make farmers give that kind of a representation to the Farmers Home Administration when they want to obtain a loan, do you not, Bill?

Mr. LESHER. Well, in certain instances it is necessary if your private bank requires it, and the Farmers Home Administration may also require it to a certain extent. But that doesn't mean that the information provided is accurate nor is there a need to have net farm income forecasts for the Nation.

We are talking about the aggregate net farm income and whether it serves an individual farmer to have such information. He can't use the net farm income figure to help him get his Farmers Home Administration loan or with a private bank. They are really seeking information concerning the price they are going to receive for their grain and the availability and price of the inputs needed to produce the crops. And we continually put that information out to them and are seeking ways to strengthen our situation and outlook activities.

So if an individual farmer cannot tell you what, in fact, his net farm income is going to be, we can't, as a Department, aggregate over 2.4 million farmers and come up with a credible estimate in advance. And more important, why should we when we could spend our time more productively on work to expand markets and other worthwhile activities?

Mr. Chairman, we all have the same interests at heart. I know you are interested in getting farm incomes up; you want prices up and costs to go down. That is what I want too. We both have the farmers' interest at heart, so we really don't disagree. I think you would probably agree about the variability and reliability of the estimate. The real issue is, I believe: Does a net farm income forecast that has such variability serve the farmer's interests? That is the key question. I happen to believe that the farm income forecast does not. I think it may cause us more problems than it would ever help farmers, and that is the reason that I really take the position that I do—not because we are trying to hide numbers. It is unfortunate that this issue has been couched in that way, and I think many of you and your staffs that have known and worked with me

concur that I would not do that. The integrity of the numbers must be free of outside influence. I will believe that until the day I die.

So please—hiding or political manipulation of the numbers is not the issue.

I would say also that you mentioned that fact that other aggregrate economic indicators are estimated such as the CPI, national income accounts, and other general economic statistics. The agencies that have responsibility for the numbers, however, don't release forecasts over a year in advance like your bill would require us to do net farm income. These agencies release estimates after the fact with 3 to 6 weeks lags. The national income accounts estimates are released quarterly, about one month after each quarter is over. We provide farm income estimates for these quarters as we move through the year and we would be happy to provide them to the committee if they wish. They are not, however, forecasts. They are preliminary estimates of the previous quarter.

So I shall end there, Mr. Chairman, and am ready to answer any questions that you may have.

Senator DIXON. Bill, when did you start at the Department?

Mr. LESHER. Late in January of 1981.

Senator DIXON. So, basically, you haven't been with the Department very long, relative to the historical record of reporting the estimates that we are talking about?

Mr. LESHER. No. I worked in the U.S. Senate for 3½ years. I was on the staff of this committee when there were others suggesting that the net farm income estimate was not a good indicator of the financial well-being. They were suggesting changes in it at that time and that caused a stir. However, I think we all would agree that the measure is inadequate to provide information to the Congress and others covering the well-being of U.S. agriculture.

Senator DIXON. Now, is it true that those particular statistics have been provided by the Government through the U.S. Department of Agriculture for about 6 years or so? Do you know the precise length of time?

Mr. LESHER. I think it's been longer than that.

Senator DIXON. Let's make it a matter of record here. How long has it been done?

Mr. LESHER. Do you mean the official release?

Senator DIXON. When was the first time that your publication, your inhouse publication at the Department of Agriculture first made available, on a monthly basis, the information we are discussing here?

Mr. LESHER. It has gone on for several years.

Senator DIXON. Well, can you give me for the record so we have it in the record for the benefit of the U.S. Senate and the country?

Mr. LESHER. We will Mr. Chairman. We will check and provide that information for the hearing record.

[The following information was subsequently received by the committee:]

To the best of our knowledge, USDA first began publishing forecasts of farm income in The Farm Income Situation, a USDA publication which first was printed in 1940 and was last released in 1975. This report had an irregular schedule. The fall issues of this report contained estimates of farm income statistics for the current year and provided a general indication of farm income trends for the year

ahead. However, specific point estimates or narrow ranges of net farm income forecasts were usually not provided.

Information previously published in the Farm Income Situation report was included in a new publication, Agricultural Outlook beginning in 1975. This report is published 11 times per year, on a monthly basis excluding January. Although farm income statistics have typically been included in this report each month, most of this data has been for a historical period and for the current year. A summary of farm income data presented in Agricultural Outlook since the magazine began in June of 1975 is included for the record. Since 1978 the frequency of reporting farm income has increased. Prior to that time, the farm income reporting was rather infrequent and followed no set schedule. Specific forecasts of net income for the upcoming year have been made only three times since the Agricultural Outlook began in 1975. The release dates were December of 1976 (forecast for 1977), November of 1978 (forecast for 1979), and December of 1980 (forecast for 1981). Other than these, forecasts were confined exclusively to the current year's situation.

Issue Date	Statistics Published for:		
	Prior Year	Current Year	Year Ahead
1982			
Jan./Feb.	---	---	---
March	Preliminary 1981 ($23.0b. AIA)		
April	---	---	---
May	---	---	---
June	---	---	---
July	Estimates of 1981 (25.1b. AIA) (19.6b. BIA)	---	---
August	---	---	---
September	---	1982 Annual Forecast (17-21 AIA; 17-21 BIA)	---
1981			
Jan./Feb.	1980 Quarterly forecasts 1980 Annual Preliminary ($23.0b. AIA)	1981-I (22-24b. AIA) 1981-II (26-28b. AIA)	
March	1980 Quarterly forecasts 1980 Annual Preliminary (23.0b. AIA)	1981-I (21-23b. AIA) 1981-II (25-27b. AIA)	
April	1980 Quarterly forecasts 1980 Annual Preliminary (22.0b. AIA)	1981-I (17-19b. AIA) 1981-II (23-25b. AIA) 1981-Annual (27-32b. AIA)	
May	1980 Quarterly forecasts 1980 Annual Preliminary (22.0b. AIA)	1981-I (18.0b. AIA) 1981-II (23-25 b. AIA) 1981-III (29-32b. AIA)	
June	1980 Quarterly 1980 Annual Preliminary (22.0b. AIA)	1981-I (18.0b. AIA) 1981-II (22-24b. AIA) 1981-III (28-31b. AIA) 1981-IV (24-28b. AIA) 1981 Annual forecast (22-27 AIA)	
July	1980 Quarterly 1981 Annual Preliminary (22.0b. AIA)	Same as June	
August	1980 Quarterly 1980 Estimate (19.0b. AIA) (21.0b. BIA) 1979 Revised (32.7b. AIA) (24.4b. BIA)	1981-I (18.0b. AIA) 1981-II (23.0b. AIA) 1981-III (26-29b.AIA) 1981-IV (22-26b. AIA) 1981 Annual forecast (22-27 AIA) (19-23 BIA)	
September	1980 Quarterly 1980 Annual	1981-I Same as August 1981-II " 1981-III (22-25b. AIA) 1981-IV (20-24b. AIA) 1981 Annual forecast (20-24b. AIA)	
October	Same as September	Same as September	
November	Same as September	1981-I Same as August 1981-II " 1981-III (25.0b. AIA) 1981-IV (20-24b. AIA) 1981 Annual forecast (20-24b. AIA)	
December	Same as September	Same as November	

Farm Income Estimates Published in Agricultural Outlook (cont)

Issue Date	Statistics Published for:		
	Prior Year	Current Year	Year Ahead
1980			
Jan./Feb.	1979 ($33 AIA) 1979-I ($33.7 AIA) 1979-II ($34.7 AIA) 1979-III ($31.0 AIA) 1979-IV ($32.7 AIA)	1980-I ($25.2 AIA) 1980-II ($24.4 AIA)	---
March	1979-I ($36.0 AIA) 1979-II (34.0 AIA) 1979-III ($29.8 AIA) 1979-IV ($32.4 AIA)	1980-(mid $20's AIA) 1980-I ($26.8 AIA) 1980-II ($26.0 AIA)	---
April	---	1980-I ($28.4) 1980-II ($22.7)	---
May	---	1980-I $27.4 1980-II $20.8	---
June	1979 ($33.3 AIA) 1979-II ($34.1 AIA) 1979-III ($29.9 AIA) 1979-IV ($32.5 AIA)	1980-I ($27.6 AIA) 1980-II ($20.2 AIA) 1980-III ($23.5 AIA)	---
July	---	Same as June	---
August	---	1980-III ($22-26 AIA) 1980-IV ($17-21 AIA) 1980 ($21-26 AIA)	---
September	1979-II ($32.8 AIA) 1979-III ($30.3 AIA) 1979-IV ($29.9 AIA) 1979 ($31.0 AIA) 1979 ($26.9 BIA)	1980-I ($26 AIA) 1980-II ($22 AIA) 1980-III ($20-24 AIA) 1980-IV ($22-26) 1980 ($23-25 AIA) 1980 ($23-25 BIA)	---
October	---	Same as September	---
November	---	1980-II ($25 AIA) 1980-II ($23 AIA) 1980-III ($23 AIA) 1980-IV ($22-24 AIA)	
December	---	1980-II ($23 AIA) 1980-III ($22 AIA) 1980-IV ($23 AIA)	1981-I ($24-26 AIA) 1981-II ($26-28 AIA) 1981 ($27-32 AIA)
1979			
Jan./Feb.	1978 ($28.1 BIA) ($23.3 AIA) 1978-I ($25.8b AIA) 1978-II ($28.0 BIA) 1978-III ($28.8b BIA) 1978-IV ($31.7 BIA 1978-I ($26.3 AIA) 1978-II ($28.0 AIA) 1978-III ($26.8 AIA) 1978-IV ($32.0 AIA)	1979-I ($27 BIA) 1979-II ($25 BIA) 1979-I ($26 AIA) 1979-II ($25 AIA) 1979 ($23-29 BIA) 1979 ($23-29 AIA)	---
March	1978 ($28.2 BIA) ($28.8 AIA) 1978-III ($27.1 BIA) 1978-III ($27.6 AIA) 1978-IV ($33.2 AIA)	1979-I ($33 BIA) 1979-II ($31 BIA) 1979-I ($32 AIA) 1979-II ($30 AIA) 1979 ($28-33 BIA) 1979 ($28-33 AIA)	---
April	Same as March	1979-I ($33.4 BIA) 1979-II ($33.4 AIA)	---
May	1978 ($28.2 BIA) 1978 ($28.8 AIA) 1978-III ($27.4 BIA) Same as April	1979-I ($33.4 BIA) 1979-II ($32 BIA) 1979-III ($30 BIA) 1979-I ($33.4 AIA) 1979-II ($32 AIA) 1979-III ($29 AIA)	---
June	Same as May	1979 ($31-33 AIA) 1979-I ($33.5 BIA) 1979-II ($35 BIA) 1979-III ($32 BIA) 1979-I ($33.5 AIA) 1979-II ($34 AIA) 1979-III ($32 AIA)	---
July	1978 ($27.9 AIA) 1978-I ($25.8 AIA) 1978-II ($27.8 AIA) 1978-III ($26.3 AIA) 1978-IV ($1.6 AIA) 1978 ($27.9 AIA)	1979-I ($35.5 AIA) 1979-II ($35 AIA) 1979-III ($33 AIA) 1979 ($30-34 AIA)	---
August	Same as July	1979-I ($34.0 AIA) 1979-II ($33.6 AIA) Same as July	---
September	Same as July	1979-I ($33.9 AIA) 1979-II ($28 AIA) 1979-III ($24 AIA) 1979 ($30 AIA)	---
October	Same as July	1979-III ($32.9 AIA)	---

Farm Income Estimates Published in Agricultural Outlook (cont)

Issue Date	Statistics Published for:		
	Prior Year	Current Year	Year Ahead
1979 (cont)			
November	---	1979-I ($34.9 AIA) 1979-II ($34.8 AIA) 1979-III ($30.7 AIA) 1979-IV ($27 AIA) 1979 ($31 AIA)	---
December		1979 ($32 AIA) Same as November	---
1978			
Jan./Feb.	---	---	---
March	1975 Quarterly estimates 1976 Quarterly estimates 1977 Quarterly estimates 1977 Preliminary ($21.3b AIA) ($20.4b. BIA)	--- --- --- ---	--- --- --- ---
April	1976-IV 1976 Annual ($20.0b AIA) 1977 Quarterly estimates 1977 Annual ($20.4b AIA) (21.3b BIA)	1978-I ($21.8b. AIA) ($21.3b. BIA) 1978-II ($93.2b. AIA) ($24.7b. BIA) 1978-III ($22.6b. AIA) ($23.6B. BIA)	---
May	Same as April	1978-I ($21.8b AIA) ($21.3b BIA) 1978-II ($25b. AIA) ($27b. BIA) 1978-III ($23b. AIA) ($24b. BIA) 1978 Annual ($23b. AIA) ($24b. BIA)	---
June	1975 Annual 1976 Annual 1977 Quarterly 1977 Quarterly	1978-I Same as above 1978-II ($23b. AIA) ($25b. BIA 1978-III ($23b. BIA) ($25b. BIA) 1978-IV ($23b. AIA) ($27b. BIA) 1978-Annual ($23b. AIA) ($25b. BIA)	---
July	1977 Estimate ($20.1b AIA) (20.6b BIA)	Same as above	---
August	Same as above	1978-I ($22.3b. AIA) ($22.3b. BIA) 1978-II ($25b. AIA) ($27b. BIA) 1978-III ($23b. AIA) ($25b. BIA) 1978-IV ($23b. AIA) ($26b. BIA) 1978 Annual Same as above	---
September	Same as above	1978-I Same as above 1978-II ($24.5b. AIA) ($26.5b. BIA) 1978-III ($24b. AIA) ($25b. BIA) 1978-IV ($23b. AIA) ($24b. BIA) 1978 Annual same as above	---
October	Same as above	1978-I Same as above 1978-II Same as above 1978-III Same as above 1978-IV ($24b. AIA) ($25b. BIA)	---
November	Same as above	1978-I Same as above 1978-II Same as above 1978-III ($25.5b. AIA) (26.5b. BIA) 1978-IV ($29b. AIA) (30b. BIA) 1978 Annual ($25b. AIA) ($26b. BIA)	--- 1979 Annual ($24-30b. AIA) (23-29b. BIA)
December	Same as above	Same as above	Same as above

Farm Income Estimates Published in Agricultural Outlook (cont)

Issue Date	Statistics Published for: Prior Year	Current Year	Year Ahead
1977			
Jan./Feb.	1976-I ($22.5 BIA) 1976-II ($28.6 BIA) 1976-III ($22.5 BIA) 1976-I ($22.5 AIA) 1976-II ($25.6 AIA) 1976-III ($20.8 AIA)	---	---
March	1976-IV ($20.3 BIA) 1976-IV ($19.3 AIA)	---	---
May	---	1977-I ($23.0 BIA) 1977-I ($23.0 AIA)	---
June	---	1977-I ($22.5 BIA)	---
August	1976-I ($23.0 BIA) 1976-II ($25.4 BIA) 1976-III ($18.6 BIA) 1976-IV ($20.7 BIA) 1976-I ($21.5 AIA) 1976-II ($23.2 AIA) 1976-III ($17.6 AIA) 1976-IV ($18.0 AIA)	1977-I ($22.5 BIA) 1977-II ($23.2 BIA) 1977-I ($22.0 AIA) 1977-II ($22.5 AIA)	---
	1976 ($22.0 BIA) 1976 ($20.0 AIA)	1977-II ($21.7 BIA) 1977-II ($21.0 AIA)	
November	1976 ($21.9 BIA) 1976 ($20.0 AIA)	1977-III ($16.2 BIA) 1977-IV ($19.5 BIA) 1977-III ($16.7 AIA) 1977-IV ($19.4 AIA)	---
		1977 ($20.0 BIA) 1977 ($19.8 AIA)	
1976			
Jan./Feb.	1975-I ($19.7 BIA) 1975-II (24.5 BIA) 1975-III (25.7 BIA) 1975-I (20.7 AIA) 1975-II (27.0 AIA) 1975-III (28.7 AIA)	---	---
April	1975-I ($17.6 BIA) 1975-II (26.2 BIA) 1975-III (27.6 BIA) 1975-IV (23.5 BIA) 1975-I (17.1 AIA) 1975-II (27.2 AIA) 1975-III (30.6 AIA) 1975-III (29.0 AIA)	---	---
	1975 an. ($24.0 BIA) 1975 an. (26.0 AIA)		
May	---	1976-I ($22.0 BIA) 1976-I (26.0 AIA)	---
August	1975-I ($15.0 BIA) 1975-II (23.5 BIA) 1975-III (28.4 BIA) 1975-IV (23.9 BIA) 1975-I (18.5 AIA) 1975-II (24.8 AIA) 1975-III (30.0 AIA) 1975-IV (29.1 AIA)	1976-I ($20.7 BIA) 1976-II (29.8 BIA 1976-I (22.7 AIA) 1976-II (28.4 AIA)	
November	1975 an. ($22.7 BIA) an. (25.6 AIA)	1976-III ($23.6 BIA) 1976-III (22.6 AIA)	
December	---	1976 an. ($24 BIA)	1977 an. (23.-25. BIA)
1975			
Jan./Feb.	---	---	---
March	---	---	---
April	---	---	---
May	---	---	---
June	1974-I ($32.9b. BIA) 1974-IV ($26.6b. BIA)	1975-I ($71.5b. BIA)	---
July	1972 revised ($17.3b. BIA) 1973 revised ($29.5b. BIA) 1974 revised ($27.7b. BIA)	1975 first half (low $20b. BIA)	---
August	---	---	---
September	---	---	---
October	1972 Annual 1973 Annual 1974 Annual 1972 Quarterly 1973 Quarterly 1974 Quarterly	1975-I ($19.5b. AIA) ($21.0b. BIA) 1975-II ($20.0b AIA) ($20.5b. BIA) 1975-III ($29.2b. AIA) ($28.2b. BIA) 1975 Annual (about $25b. BIA)	---
November		Same as October	---

BIA = Before Inventory Adjustment
AIA = After Inventory Adjustment

Senator DIXON. Well, would you agree as a matter of record though that for a long, long time——

Mr. LESHER. Yes.

Senator DIXON. Perhaps at least a decade——

Mr. LESHER. Yes, for several years.

Mr. HOFFMAN. Excuse me, Senator.

Senator DIXON. Could you identify yourself?

Mr. HOFFMAN. George Hoffman, the Deputy Administrator of the Economic Research Service.

Senator DIXON. George, how long have you been with us?

Mr. HOFFMAN. I have been in the Economic Research Service since 1973.

Senator DIXON. Good. You have been there since 1973. And is this your particular area we are talking about, George?

Mr. HOFFMAN. Well, most recently, I was the branch chief of the Economic Indicator Statistics branch, which was responsible for that work.

Senator DIXON. OK.

Mr. LESHER. And he recently was promoted to Deputy Administrator.

Senator DIXON. Fine. But that has been in the past your background.

Mr. HOFFMAN. The current procedure for publishing farm income statistics—the most recent procedure on a monthly basis was instituted with the new publication called "Agricultural Outlook," and that publication was begun in 1975, and this particular practice was—the first full year that we have done that was in 1976. Prior to that, income forecasts and income estimates were published in a report called Farm Income Statistics, and that was only published twice a year, in February and July, I believe, and that report has a longer history. But prior to 1976, we have not published current estimates of farm income on a quarterly basis.

Senator DIXON. Now, then, as I understand your testimony, Mr. Hoffman, in the inhouse magazine Agricultural Outlook, which is published by USDA, you have published since at least 1976 on a monthly basis the information that I call for in S. 2291?

Mr. HOFFMAN. Not all of that information. On a monthly basis we have provided an update of farm income statistics for the previous calendar year and for current quarters. Not each month have we provided a forecast for the entire calendar year. In fact, it was only periodically that that was done.

Senator DIXON. How frequently was it done on a periodic basis in the Agricultural Outlook magazine?

Mr. HOFFMAN. There was no set schedule for publishing an annual number. Sometimes there was a range of farm income forecasts as early as November or December of the previous year and on some other years the forecast has not been made, or an estimate has not been made until well after or well into the year. Like in 1976, our information would show that it wasn't even published until December of that year. So it has not been a set schedule.

Senator DIXON. What information did you publish on a regular set schedule in Agricultural Outlook since 1976?

Mr. HOFFMAN. Quarterly estimates, which may include the current quarter, maybe one quarter ahead and then previous quarters.

Senator DIXON. And that has been regularly done since 1976 and was done at least twice a year, in February and July in the old Farm Income Statistics publication of the USDA historically for a longer time prior to 1976?

Mr. HOFFMAN. Yes.

Senator DIXON. And you were directly involved in that; is that correct?

Mr. HOFFMAN. And the most recent publication is Agricultural Outlook.

Senator DIXON. How many people in the Department are involved in one way or another in that process?

Mr. HOFFMAN. In putting together the forecast?

Senator DIXON. The information that is made available in the magazine?

Mr. HOFFMAN. A large number that are involved in putting together all the commodity detail and all the production expense and price data, well over 100 on a current—on a continuing basis.

Senator DIXON. And that is still going on on a continuing basis?

Mr. HOFFMAN. For all the commodities and all the detail of the individual components; yes.

Senator DIXON. So ostensibly inhouse practices other than the absence of the publication in Agricultural Outlook magazine has not really changed?

Mr. HOFFMAN. We currently do not significantly spend a lot of time on doing the quarterly estimate. It is required that we do quarterly estimates that are subject to the national and products accounts for the Department of Commerce.

Senator DIXON. Yes. You have to provide on a quarterly basis, is this not true, Director Hoffman——

Mr. HOFFMAN. Yes.

Senator DIXON. On a quarterly basis you provide to the Department of Commerce, notwithstanding anything we are talking about here all the statistical evidence for the purposes of their information gathering projects with respect to the gross national product, and things of that character, that they project at that Department.

Mr. HOFFMAN. But not annual forecasts. We only provide them information through the current quarter.

Senator DIXON. Yes. You do that quarterly, four times a year for the Department of Commerce.

The point I get to in this line of questioning is that basically the evidence and the estimates and the work products that you make available in the Department, notwithstanding the fact that you no longer publish such material, is generally still part of the work forces requirement in the USDA: is that not so?

Mr. HOFFMAN. Well, there is a difference between the quarterly estimates and annual forecasts.

Senator DIXON. Yes, of course, I understand that.

Mr. HOFFMAN. We still do the current estimates by quarters for the Department of Commerce.

Senator DIXON. That is right.

All that evidence is still there, still presented, still prepared, and evaluated in the USDA. So that, in fact, the only distinction we are talking about here as a generalization is that it is inhouse and it is

made available to the Department of Commerce but it is not—it is not made available to the public at large.

Mr. HOFFMAN. It is different information. We are not publishing or making even available to the Department of Commerce an annual forecast. What we are doing is providing them with estimates of farm income so that they can complete the national income accounts.

Senator DIXON. Well, but you just used that information before in the past, or I shouldn't say "before." You used that same information in the past and evaluated it for the types of estimates that you made, did you not? That is the work product you use; you use your expertise; you as an individual. You have that expertise; I do not. You employed that expertise, others in the Department employed that expertise against the figures that you had available to make your projections, did you not?

Mr. HOFFMAN. Yes, sir.

Senator DIXON. I don't know how many were employed there, whether it was 1 or a 100 or how many it was, but however many it was, in that particular area of the USDA, all this information was gathered; is that not true? You were part of the gathering process; you testified here for the record I think that there may be as many as a 100 that are part of that gathering process. And that work product is available.

Now——

Mr. HOFFMAN. Senator, I think you are driving at—to make a forecast after the August report, which we are doing, you have to keep a continual, you know, you have to have people that monitor the situation over time to come up with a forecast in the September outlook like we have done.

Senator DIXON. All right. I readily——

Mr. HOFFMAN. I mean, that is what you are driving at, I think.

Senator DIXON. I readily appreciate that; and, Bill, you would also appreciate it as a person in your field. I am sure we all appreciate the fact that experts do nothing more than evaluate all the work product and on the basis of that evaluation, as experts, suggest what their conclusions are; is that not so?

Mr. LESHER. Right. The question—the real issue is—when in fact are you comfortable with the numbers.

Senator DIXON. Well, I am not concerned about when you are comfortable, though. That is my view. You are entitled to your view, Bill.

The point is you have that work product there. The information is there. The Government of the United States of America uses taxpayers' money and employs those funds to bring together all this work product.

Mr. LESHER. That's correct.

Senator DIXON. And you could give me—and I now ask you to give me—the names of the people, the names of the people in the department. Have you those names available, Mr. Hoffman? Can you make those names available to me? The people in that office, the 100 people that is your guesstimate who are involved in the production of this information——

Mr. HOFFMAN. We are talking about the situation and outlook program of our agency——

Senator DIXON. Yes.

Mr. HOFFMAN [continuing]. That provides——

Senator DIXON. Give me the name of that agency again.

Mr. HOFFMAN. Economic Research Service.

Senator DIXON. The Economic Research Service in the U.S. Department of Agriculture. And you think there's about 100 people there?

Mr. HOFFMAN. Yes.

Senator DIXON. And I want to know the names of all 100 people, because I want to ask every one of them what they do.

Mr. LESHER. There's more than 100 persons in the Economic Research Service.

Senator DIXON. How many are there?

Mr. LESHER. Approximately 950 persons, which includes all of the support personnel.

Senator DIXON. There's 950 people in the Economic Research Service gathering information from the United States of America at taxpayers' expense——

Mr. LESHER. Senator, they are not all involved in outlook work. They are involved in doing economic research work concerning soil and water conservation, rural development, and many other areas important to rural people and this Nation.

Senator DIXON. Yes.

Mr. LESHER. So their work goes beyond just outlook and situation activities. I don't want to give the misimpression that there are 950 people in the Economic Research Service doing just outlook work.

Senator DIXON. You haven't, Bill? I will find out what every one of the 950 do. That will be part of this record before we are finished with this case. I want to know what every one of the 950 do, the kind of information they get, how they evaluate it, and what meaningful point it has in the whole scheme of things around here; because the public has a right to know those things, in my view. That is what this legislation is about: The public's right to know.

Mr. LESHER. Oh, I think the public has every right to know what the Economic Research Service does; I don't disagree with that. We would be glad to work with you and your staff to provide that information.

Senator DIXON. Well, let me ask you this as a parallel, Bill, or I will ask it of the Director, whichever of you would care to give me your impression.

We have a situation in the country now where the employment figures are not very good. But the Department of Labor religiously on the occasion that requires it, about the 1st of the month gives us the unemployment figures for America.

Now, that information isn't very good news, and giving your basic premise that it doesn't help the individual farmer when you give this information, I don't suppose it helps the individual unemployed worker in America when he finds out he is one of 10 million-plus people unemployed. But the Government has been giving the information for a long time, and I think it is a public right to continue to have it. How do you argue that it isn't the farmer or the public's right to have this information as a parallel to the situation that I just cited?

Mr. LESHER. I share your concerns. However, I believe they deserve a good product. It must be reliable; it must be timely; it must be accurate. So much information today, whether it comes from the Federal Government, the Congress, or anywhere else, lacks credibility. We must do our part to remedy this to the fullest extent possible.

The Department has a reputation, Senator, and it must be maintained. We must do a creditable job at what we do.

Senator DIXON. Well, my dear friend, Bill, I have a reputation, too, but they suspect in my State that I have made a mistake or two in my lifetime and believe it or not, they have forgiven a couple of them. [Laughter.]

All I am asking to get from you is the same kind of information, subject to some error. But the testimony is here you have 950 people gathering information and from that you have experts in that office who can draw conclusions; and all I am saying and all this bill says is that we want to have those conclusions and we want to publish them. You know, everything that is printed in newspapers—I am sure it will shock my friends of the Fourth Estate who are listening to this testimony—is not always accurate. Some of us who are politicians from time to time think that some of it is quite inaccurate; but I don't want to take away their right to publish it. And I think the simple issue here is not the things you say, which are, net farm income is not a good measure of how things are going. Maybe it's not. But isn't that for the individual citizen to evaluate?

You say variability of estimates is very large, it is not entirely reliable. OK. We will accept that. You are not perfect. You draw as experts your conclusions from the evidence. But aren't we allowed to evaluate that? And then you say it doesn't help the individual farmer. There are a lot of things happening around here that in the opinion of this Senator don't help the individual farmer, a lot of them that don't help him near as much as the individual information we are talking about here. But I think he has the right to the information. That's the issue. And I would ask you further, Bill, that after we had all the hearings and I offered the amendment and we adopted in the committee report this language, how is it the right of the Department to discount what this Agriculture Committee has done and to say, notwithstanding what you have suggested in the report, we will not do it? How is that the right of the Department?

Mr. LESHER. We are here at this hearing to discuss the issue, and we came forth with testimony to clarify our position. We are not hiding from or being disrespectful to the Congress. We are entering into the discussion about the issue and this is important. I don't think that we have spurned the Congress on this issue; but apparently we have a difference of opinion.

Senator DIXON. That's right.

Now, let's go over these things.

You have 950 people there. This Senator isn't asking you to get rid of them, but 950 are still there, gainfully employed, looking at the work product, and acquiring information.

Do you still publish Agricultural Outlook?

Mr. LESHER. Yes.

Senator DIXON. You still publish the magazine the taxpayers in the country pay for, the magazine that is published and it is issued every month and it is sent around the country.

How many copies? Just your best guess.

Mr. HOFFMAN. About 2,500.

Senator DIXON. 2,500 go around the country.

All the things that are necessary to give the information we ask for presently exists; do they not, Bill?

Mr. LESHER. Yes.

The people involved in agricultural outlook and forecasting net farm income have to stay on top of things throughout the year, so with a small amount of increased effort, they could go ahead and do what you suggest.

Senator DIXON. So with a small amount of effort, the 950 people could produce in the Agricultural Outlook, which is already printed, this information I request.

Mr. LESHER. That's right, but only a small portion of the Economic Research Services employees are involved in this effort.

Senator DIXON. Now, Bill, I want to ask you this. Let's take this question and see what you think of it as a fair man.

What do you think would happen to the amount of information the public had in this country if every institution of government took the attitude you are taking with respect to this little piece of information and every administrator said, "We don't think it ought to go out. It isn't good for them. We don't want them to have it. It doesn't help them."

Mr. LESHER. We have a fundamental difference. I believe that the public has a right to know information that is based on facts, can stand the test of time, and does not mislead people. I believe that every person in the United States has that right, and that is exactly what the policy that we have implemented is designed to do—to provide the information in a timely, accurate, and efficient manner. I do not think that the general public is served well, whether it be in agriculture or elsewhere—any time, 10 years ago or 10 years in the future—for the Government to make widespread forecasts that are not credible. I don't know what service we provide if we go farther than that.

Senator DIXON. You remember the number of times you and I have been here together when you have testified. How much fun you were having when we were here all day long——

Mr. LESHER. Yes.

Senator DIXON [continuing]. Marking up the last farm bill and other things, and every individual would ask you how much is this going to cost?

Mr. LESHER. Yes.

Senator DIXON. You would give us an estimate, and a couple of times, my good friend the Senator from North Dakota, Mark Andrews, jumped up in great indignation and said, that's altogether wrong; it won't cost $3 billion; it will save $2 billion——

Mr. LESHER. Yes.

Senator DIXON. There was $5 billion difference.

Mr. LESHER. One doesn't forget experiences such as those.

Senator DIXON. I know, but—[laughter]—Bill, you take it in good spirit; I will give you that. The point being that you give us this

information in droves, in great lumps every day and give us your estimate, your best judgment about things, which I suppose is part of the work product of these same people in your department that you are talking about. Why can you do it on congressional bills and things of that character but don't want to do it for the American farmer?

Mr. LESHER. We're required to come up here to testify on the farm bill. In addition, the Budget Act requires that the Congress have cost estimates over 5 years. Therefore, we have to come up with estimates for 5 years and satisfy the needs of Congress.

Senator DIXON. And those are guesses, aren't they? The best judgment based on the evidence.

Mr. LESHER. And let me tell you—and I hesitate to mention this, but those estimates are already way off the mark. I felt very uncomfortable making those 5-year forecasts, because I knew they would be in error as time passed and conditions changed. At that time I estimated that the current farm bill provisions would cost about $1.8 billion this year.

Mr. Chairman, the actual cost is about $12 billion for fiscal year 1982. Now, as the chief economist of the Department of Agriculture, I feel bad that the estimates were so far off the mark. Because people will criticize me because I estimated $1.8 billion in cost this year for the farm programs and now all of a sudden its turned out to be close to $12 billion. What kind of credibility do I have? What kind of credibility does the Department have? So why, in fact, do it if it is not a necessity. In other words, the Congressional Budget Act mandates that we provide the best 5-year forecasts we possibly can. But I don't believe that forecasting net farm income is that important to individual farmers. If it was, I would agree and go ahead and make the forecast.

But in this particular issue, I really don't think that it is of the utmost importance to farmers. If it is not of utmost importance to farmers, the schedule we have adopted to forecast net farm incomes is the best one because it is one in which we can assure reliable estimates at the earliest possible date.

Senator DIXON. Well, again, of course, we could carry this on to its extreme. But in every quarter you supplied this information to the Department of Commerce to present to the country at large their predictions concerning the gross national product, and a variety of other things that they consider useful tools in respect to the analysis of our economy.

Now, why would you say that that differs in its importance from what we discuss here?

Mr. LESHER. When the Department publishes an official number, it really has the full faith and credit of the U.S. Department of Agriculture, and I think that should mean something. When the USDA puts its stamp of approval on a number, it must be free of as much error as possible and it needs to serve the Department of Agriculture proud over time. I strongly believe this.

Senator DIXON. Now, we have established, I think, that you do this on an ongoing basis

Let me ask you this:

Did you have any doubt of the intention of this committee when we included report language to accompany H.R. 2160 the Potato

Research and Promotion Act, which states the committee intends that the Secretary of Agriculture, by the 15th day of each month to make and disseminate the estimates of gross farm receipts, production expenses, and net farm income for the past calendar year, current calendar year, and in the months of October through December, the forthcoming calendar year based on the most recent data available to the Secretary?

Mr. LESHER. Senator, that was report language and we considered that language very seriously. As you know, we have had prior conversations about this issue; we discussed it thoroughly and finally decided that perhaps you and I had a good-faith of opinion. Nothing personal Senator, but just a good-faith difference. In turn you called for this hearing and I willingly came up to share our views with you and others. The outcome will be determined after each one's views are throughly aired.

Senator DIXON. Well, Bill, repeatedly here in the Agriculture Committee, you and my friend, the Secretary of Agriculture, have come before us asking for expanded discretionary authority on a variety of things from the dairy program to almost anything you can imagine, to expand the discretionary authority of the Department of Agriculture and the Secretary of Agriculture.

My question to you is this: Why should the Congress continue to allow the Secretary such broad discretionary authority when we are increasingly unable to gain access to official information that measures the success of your policies?

Mr. LESHER. The success or failure of policies really goes back to the prices that are received by farmers and the cost of those inputs that they use. I don't think that forecasting farm income over a year in advance has much to do with the criteria of judging the success or failure of such policies. And I agree that grain and cotton prices are too low and we are doing everything within reason to reduce supplies and strength demand.

Senator DIXON. Well, I certainly agree with you. We have found an area of agreement.

Mr. LESHER. Yes.

Senator DIXON. Let me interrupt to say this—I don't mean to interrupt, but you——

Mr. LESHER. You are welcome to interrupt at anytime, Mr. Chairman.

Senator DIXON. I respect your point.

Let me ask you this. We have established, have we not, on the basis of the publication of the magazine, the 950 people employed and other matters under discussion, that there isn't any real technical reason why the farm income forecast could not be released on the same schedule as in the past?

Mr. LESHER. It could be done.

Senator DIXON. It can be done. You aren't confident about the figures; it doesn't make you feel comfortable, but it can be done?

Mr. LESHER. Yes.

Senator DIXON. Everything is in place to do it?

Mr. LESHER. That's correct.

Senator DIXON. Now, Bill, I would rather not go to the trouble of the formality of asking you to make available to me the names and

the titles and the duties of the people in that particular section. May we have the name of the section one more time?

Mr. HOFFMAN. The Economic Research Service.

Senator DIXON. Do you feel that there is anything you would like to put in the record that we haven't discussed?

Mr. LESHER. No, Mr. Chairman. I would like to clarify one point. When you talk about 950 people, I don't want anyone here to get the impression that all those are concentrating on this one issue; they have many other duties and I would not like the record to suggest that large amounts of taxpayer dollars go for just producing net farm income forecasts. It does not. They do other work that is very important overall to the Secretary and the agricultural economy. There are only about 20 in the farm income section of the agency and they do not devote full time to making such forecasts.

Senator DIXON. Let me ask you this. Traditionally, the first forecast of next year's farm income would be released at the November Outlook Conference. And I will ask you whether you presently plan to release your forecast for 1983 farm income in November?

Mr. LESHER. No, we do not, Mr. Chairman. We plan to stick by the schedule that we published in the April Agricultural Outlook. That scheduled is as follows: After the August crop report we will publish in the September Agricultural Outlook the first forecast of net farm income for that year, we will also finalize the estimate for the year before.

You understand, Mr. Chairman, that while we do get current price information, we don't get the expenditure data until June of the following year. In other words, production expenses for 1982 will not be determined statistically until the June production expenditure survey is completed, in June 1983.

Senator DIXON. Would you do this for me? Would you convey to the Secretary of Agriculture, Jack Block, my continuing warm regard for him——

Mr. LESHER. I will do that.

Senator DIXON [continuing]. As a personal friend. Tell him that if there are any suggestions or accommodation to his point of view and yours in S. 2291 that would be fair to both sides, that he would like to suggest to me, I would be delighted to have them. Otherwise, I am going to proceed with every bit of force at my command to try to obtain a markup on this bill and go to a rollcall. I would like to once again suggest to the Secretary of Agriculture and yourself and everyone involved, all of whom are my friends, that I certainly think you have the wrong side of this argument; if it is only from the question of the people's right to know. You can put anything in there you want to, Bill, that says, here are the various statistics we use to come to this conclusion; this is our conclusion; it is our best expertise against the hard evidence that we have; it is a prognosis only and to be taken as such. But I think to deny the public this individual piece of information that they have had for all these years is just outrageous. I think if other agencies of Government began to do it, we would have a tremendous argument about it in the Congress. I would ask you to reevaluate your policies. As much as I respect your point of view and like you as a person, I think your policy in this connection is flawed.

Mr LESHER. You would give us credit——

Senator DIXON. I always give you credit, Bill.

Mr. LESHER [continuing]. For establishing an official policy on forecasting net farm income that is written down and plan to follow year after year. This is something the USDA has never had before.

Senator DIXON. No.

Mr. LESHER. I would think that you also would admit, Mr. Chairman, that by establishing such a policy we have taken politics out of it rather than added it into this process. We at least need that much credit.

Senator DIXON. Then I'll give you credit for an official policy and tell you that the unofficial policy of every past administration was better. [Laughter.]

Mr. LESHER. Fair enough.

Senator DIXON. I thank you, Bill.

Mr. LESHER. Thank you very much.

Senator DIXON. Mr. J. B. Penn.

Dr. Penn, I want to thank you very much for coming here and giving us your testimony.[1]

STATEMENT OF J. B. PENN, ECONOMIC PERSPECTIVES, INC., McLEAN, VA.

Mr. PENN. Thank you, Mr. Chairman. I appreciate the invitation to appear before the subcommittee to comment upon the dissemination of the farm income estimates and forecasts of the Department of Agriculture. I am an economist with Economic Perspectives, a private consulting firm. I previously served as the Deputy Administrator of the Economic Research Service, the agency that is responsible for producing the farm income statistics.

Senator DIXON. May I ask when that was?

Mr. PENN. That was from October 1978 to June 1981.

Senator DIXON. Thank you.

Mr. PENN. The farm income estimates, as you know, are probably the most complex of all of the estimates that the Department produces. They depend upon a blend of all of the disparate pieces of information that the Department produces in trying to describe the workings of the farm economy. They require the estimation of gross receipts from the sale of commodities, and that of course requires all of the prices the farmers receive for their commodities and the quantities of all of the commodities that are marketed. It requires that the production expenses be estimated, and that requires a knowledge of the quantities of all the inputs the farmers use and the prices that they pay for those inputs.

It also requires some information about the quantities of stocks that farmers have, commodities that have not yet been sold; and, in addition, there are lots of imputations that are involved, on those products that do not directly enter the market, such as products for home consumption, the rental value of the dwelling or farmhouse, all those sorts of things. It requires a large amount of

[1] See p. 49 for the prepared statement of Dr. Penn.

information that is produced by a large number of people in the Department, often for other purposes, as was brought out earlier.

There is one additional distinction that I think I would be useful to make in the beginning, and that is the difference between estimates and forecasts.

Now, the estimates that are discussed refer to the measures of income for a time period that has already passed, while the forecasts only refer, of course, to a time period in the future. We now have estimates of farm income for 1981, and we are talking about forecasts of farm income for 1982. It is my understanding that the Department's policy concerning the issuance of estimates of farm income has not changed; that it will continue to provide estimates of income as they always have, and as was noted here earlier the——

Senator DIXON. If I may interrupt you?

Mr. PENN. Yes.

Senator DIXON. It is my understanding that they will not provide on a monthly basis——

Mr. PENN. No. We are talking about estimates of income now.

Senator DIXON. Estimates of gross farm receipts.

Mr. PENN. Yes, but those are for the time periods past, and it is my understanding that they are going to continue to do that, just as they have always done.

Senator DIXON. Well, I will check that, but it is my understanding that they will not do it on a monthly basis.

May we have an interrupted moment here.

[Pause.]

Senator DIXON. But, go ahead with your testimony.

Mr. PENN. Well, it was my understanding that what is in question is the forecast for the future time period.

The Department has generally presented its first forecast of income for the coming year at the Annual Outlook Conference. So for 1983, at the Outlook Conference in November, the Department would present its first forecast, usually a range rather than a point estimate probably, but it would present the forecast for 1983 as it has done in previous years.

Senator DIXON. Now, you have heard Dr. Lesher, if I may interrupt, say they will not do it this year.

Mr. PENN. I understand; yes.

Senator DIXON. But, the Outlook Conference is the time when they present the detailed review of all of the other conditions in agriculture for the year ahead; they look at the wheat economy; they look at what wheat exports might be, what production might be, and they give some forecast of the price. So once you go to all of the effort to present a detailed review of all of the segments of the farm economy, then it naturally follows that you could produce a forecast of farm income. And the forecast of farm income wouldn't be any better in terms of quality, than the forecast of the wheat price, the corn price, production expenses, and all of those things.

Mr. PENN. But as you indicated earlier, it is a work product and it naturally flows out of the work of all of the other people.

I think the decision to stop reporting the forecast was unfortunate. I mean, it is information that is already available and I think that it should be continued. I think the decision was unfortunate

because it was done for the wrong reason. It wasn't done because the estimates weren't worth their cost or because the concept was flawed or because they duplicated a better series. I think there is a real need, an important need and an unfilled need for the kind of estimates that have been reported. And that series is done in a thoroughly professional manner. While there is room for improvement, I don't think there is any technical reason to discontinue presenting the forecast. Farm income is a very political estimate and any change in the farm income reporting policy tends to politicize a function of the Department that should be left to the professionals.

It is always legitimate to question whether the Government efforts are worth the cost, and the basic economic data series, if you take them one at a time, always have some difficulty in showing exactly their payback. But in this country we made a decision many, many years ago that in a market economy you must have basic information and so the decision was made that we would report estimates and forecasts of the performance and functioning of the economy, and I don't think there is any reason to question that now.

Senator DIXON. May I interrupt at that point?

Mr. PENN. Yes.

Senator DIXON. I think it is well established, would you not agree, by the testimony of the Department's own witnesses who were just here that in any event everything is in place to do that now anyhow; that is to say, the people are there, the publication is there, everything is already there. So I don't think either side is arguing the value of having those people or anything of that sort. Is that a fair statement?

Mr. PENN. That is my understanding; yes.

Also I think that we all know that whatever the economic news, whether that be interest rates, balance of payments, food prices or whatever—all administrations, Republican and Democratic alike, want to herald good news and take credit for it and say that it is a direct result of their policies. And those same administrations, Republican and Democratic, also want to downplay the bad news or perhaps suppress it. I think that if a return to more prosperous times in the farm sector were in the offing in 1984 that this administration would probably have a much different view about dissemination of forecasts of improved farm income some months into the future.

I think that goes without saying.

The estimating part of farm income in the Department has been done since the mid-1920's, and that was at a time when we had a large number of farmers, 7 million or so, and farming was much different than it is today. Now, the estimates have been based on particular concepts, and they have been improved over time. As agriculture has changed, the concepts behind the estimates have changed; the amount of detail that is presented has been increased; State estimates have been provided since the 1940's; and income estimates by size of farms have been provided since 1960.

Then, as Bill Lesher indicated, the accounts were significantly changed in 1980, the concept behind farm income was significantly changed; and that was done to reflect the fact that agriculture had

changed, that farming had become a high-technology, capital-intensive business and the accounts needed to separate the farm business from the family income, and a lot of additional detail was provided.

Instead of talking about 2.4 million farms, there is a lot of detail now that looks at farms by type, by size, by region of the country; so you can get a lot more detail out of the farm income estimates than just that it is going to be $19 billion for 2.4 million farms. I mean, you can distinguish a lot of other things out of that. And the idea behind all that is to get a notion of what is the current situation in agriculture; what is the current income situation, the cash-flow situation of the farm, and also to look at the balance sheet as well as the income statement: What is the debt position, the asset position, what is the longer term health of the farm economy?

The principal reason, as I understand it, that has been given to discontinue reporting of the income forecast is the inherent difficulty in forecasting for agriculture because of its interdependence with the United States and world economies, because it is subject to the vagaries of weather; and because it has to contend with disease and pests. And, that there are so many more forces now that impact upon agriculture that it is just virtually impossible to forecast.

Well, I think those are the very reasons that you need forecasts. When you have a lot of added uncertainty, you have a lot of added complexity, then those are the very reasons that you need to try to sort out what is likely to happen in the future, at least to put some bounds around what is likely to happen.

I think it is vastly better to have the best information and judgment of the analysts, the professionals at the Department of Agriculture, than it is to simply try to operate in the dark, and have no information. And, I think that is true whether you are a farmer trying to sort out what your plans are going to be for next year, or whether you are a member of the Agriculture Committee trying to sort out the farm program for next year. I think it is better to have some notion of what is going to happen. So I think that if you carry that argument to its logical extreme—that argument being that since we don't know the future with certainy that we shouldn't speculate about it—then you would stop all forecasting, there would simply be no forecasting, and I think we all realize that you couldn't very well operate that way.

Also, there is another element involved in the forecasting accuracy question, and that is that we have a reactive economy. If you forecast that something dire is going to happen and a lot of people learn of this, they are likely to change their plans, change their decisions and prevent that dire occurrence from happening. It likely won't happen. An example has been used lots of times is that if the Department says that we are having a huge increase in the hog herd and we are going to have large marketings in the future and prices will be low, that hog farmers adjust their plans, reduce herds, market fewer hogs, and the price is higher than it had been forecast.

There is one other point that I want to make, a final point, about the forecasting accuracy, and that is that this business of forecasting farm income is a dynamic process. If you make a forecast at

Outlook Conference time about what income is likely to be in the year ahead, then that is not the only forecast that you ever make for the year. Those forecasts are revised and updated monthly, using all the new information that has become available in that period of time. So that you can revise that forecast, and you continue to do that as you go through the year. So if you say the farm income is going to be $20 billion in 1983, you are not stuck with that forecast.

Obviously, the amount of advance deficiency payments that are being made this year will increase farm income $2 to $3 billion. Nobody anticipated that last October at Outlook Conference time. So that will obviously change the forecast.

But that information can be incorporated into the forecast and the forecast revised as you go through the year. So this is not a static process; it is something that is dynamic and the Department, as you indicated, has people in place and is geared up to incorporate that information and to produce a new forecast; and I think the revised forecasts are as useful as the initial ones, that they give people some notion of what is changing and why it is changing.

So I would just close with one other comment, and that is, as I said earlier, farm income is a very politically loaded concept. Every time there is any change that is made in farm income at the Department, then it becomes involved in partisan politics. And, also as I said, I think this decision was unfortunate because the whole value of the system at the Department of Agriculture, the reporting system for not only farm income but all of the other estimates, is its credibility. If the system gets involved in politics, and the credibility is eroded, then the system is of no value. I think that is something that should be avoided at all costs.

Thank you.

Senator DIXON. Well, I thank you very much, Dr. Penn.

I wonder if I could pursue with you some of the points that my friend Bill Lesher made?

First of all, each time Bill and I have talked—if he is still in the room? I don't want to talk behind his back, but I am sure he has friends here. He is my friend. I want you to know that.

Each time that we have talked either in public or private about this whole concept, the underlying positions of Bill Lesher have been two; first of all, that it is highly unreliable and, second of all, that it has no real value.

Now, I wonder, first of all, could we talk about the value question. Let me just read you some things he said today.

"Net farm income is not a good measure of how things are going. The variability of estimates is very large so there is no reliability. And it doesn't help the individual farmer." I think he is trying to say in separate ways about the same thing, that, really, there is no value to this.

Well, what do you say to that as an experienced individual who has been responsible in that area?

Mr. PENN. I think that probably overstates the case. For an individual farmer making planning decisions for the next year, the estimate, that one estimate of farm income is probably not the most crucial information that he is going to have. And if he didn't have

it, it is probably not going to mean that he is going to make terribly bad decisions.

However, I think that the point being missed is that the farm income estimate is the culmination of all of the other work that points to what the farm economy might be like in the next year. And, farmers need to know that; they need to have some indication of whether it is going to be a relatively good year or a very poor year so that they can decide to be conservative in their planning, to tighten their belts, to produce crops that require very little fertilizer or lots of fertilizer, et cetera. Farmers use this information quite a lot, perhaps not that one income number, but the whole picture that is developed on what the health of the farm economy might be in the coming year.

Senator DIXON. They are businesmen, and they use all these indicators—this is your testimony, is it not—in arriving at their investment decisions and determining what they are going to do. It might even be that they would determine that they would be putting in a different crop next year as a consequence of the information they have. You talked about the hog farmer. I know in my own State the hog business was terrible a couple of years ago and everybody reduced their herds, the prices came up, the hog business is better now. And I presume that information that you obtain statistically—I suspect that the average farmer has an idea already when things are not good. In fact, I think all these things we are talking about right now, if I may employ the suggestion, Dr. Penn, they already know things are tough on the farm. Every one of them I see that comes up to me already tells me that. So we are not denying them information they don't already have some idea about. But you are suggesting that this statistical analysis as made does have some value to it.

Mr. PENN. Well, that's right. I think they know that times are tough right now; there's no doubt about that. But the question is, what is it going to be like next year when they have to make plans as to whether to grow corn that requires large amounts of fertilizer which requires borrowed capital at high interest rates, or to grow soybeans that requires less fertilizer and less production expense outlays: Which will they do? They want to have some notion of what the overall economic situation is going to be like as they go to make their operating decisions for next year, especially their investment decisions.

I think Dr. Daniel is going to talk about the use of this information in areas outside of farming, such as for the farm machinery manufacturers. The fact is that other people also use this information, like the local fertilizer dealer and the implement dealers, and other people who service farmers, make it of value indirectly to farmers.

I think that the whole forecasting process and the whole process of trying to provide some notion of what the farm economy is going to be like next year is invaluable.

Senator DIXON. Well, I certainly want to thank you for the trouble you took to come here and give us the benefit of your expertise, Dr. Penn. I assure you the things that you testified to will be made available in this report to every member of the Agriculture Committee; and I am sure it will be very useful to all of them.

Thank you very much.

Mr. PENN. Thank you.

Senator DIXON. Mr. Daniel?

Let the record show that this is Ray Daniel of Chase Econometrics. What is the name of that town?

STATEMENT OF RAYMOND DANIEL, CHASE ECONOMETRICS, BALA CYNWYD, PA.

Mr. DANIEL. Bala Cynwyd.

Senator DIXON. Bala Cynwyd.

Mr. DANIEL. Right outside of Philadelphia.

Senator DIXON. For the benefit of the reporter, B-a-l-a C-y-n-w-y-d. My apologies to the people of Bala Cynwyd which, fortunately, is not my State——

Mr. DANIEL. You have a lot of good Welsh names in your State.

Senator DIXON. Yes, we do.

Mr. DANIEL. Let me do something, if I may, that would help us move on. I would like to—I have listened to what has been testified, and I would like to add to it instead of just repeating——

Senator DIXON. Good.

Mr. DANIEL. A lot of things that have gone, and to do that, I would like to just submit my testimony to you. They have copies of it.[1]

Senator DIXON. May I interrupt at this time?

I wonder if Dr. Penn had a statement that he might have wanted to put in the record? And, Mr. Daniel, we will put your statement in the record?

Mr. DANIEL. I would like for you to hold on to that for just a minute——

Senator DIXON. Oh, thank you. Sure.

Mr. DANIEL. Could you just do that?

Senator DIXON. Scott, you will remember to put it in the record?

Mr. DANIEL. The clerk already has a copy, an official copy, so I just wanted this for you, OK?

Senator DIXON. All right.

Mr. DANIEL. The reason I wanted to do this is because I have heard statements here about value, accuracy, and reliability, OK?

Senator DIXON. That seems to be the central issue aside from the public's right to know——

Mr. DANIEL. That's right. And the public's right to know—I was a little bit disappointed, Senator, because I happen to be in the forecasting business, and I call the USDA every month and ask them and they have been therefore refusing to give me the information which, technically, I could probably sue them under the right act to get it, but——

Senator DIXON. I don't think there is any question at all about that.

Mr. DANIEL. And another thing, remember the BOS has to give data on farm income every month so that we can follow the U.S. economy and as that contribution agriculture makes to the overall economy.

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[1] See p. 54 for the prepared statement of Mr. Daniel.

Now, you and I feel it is very strong. I am an agriculturist, and a graduate of your native State, Purdue University in Indiana, and my background is farming. So I am not just a city boy from the east coast. My background is a Ph. D. ag economics, and so I can speak very well—and we feel that agriculture is a very integral part of the American economy, and without it, we would probably be having to spend something like 50 to 60 percent of our budget for food, like other countries. Now, we are down to 15 to 20 percent, and I think we should be proud of that. And I think that because we have fewer people in it, there seems to be some mystic that, hey, they are not worth anything.

We made America because we dropped from 30 million people to 2 million people and allowed those people to go to work in our factories, and we tend boohoo agriculture because of that type of efficiency, and here now we are trying to, as agribusiness people that I represent, and legislatures you represent and as government agencies who are trying—we are trying to line up to this economy, the farm sector, which is in terrible distress right now, and we are trying to determine, OK, how bad is it? When is it going to change? Are your farms going bankrupt next year? There is a good chance of it. And we need to know it more now, with volatility, than we did in the past when every 6 months or a year was a good number. It is changing every day. And we need to know it more often, not less, and what I see here is a move away from a politically hot potato.

The Secretary is charged to help the farmer. When we try to bring bad news in that is not occurring, the Secretary wants to shoot the messenger of—the carrier of bad news. Well, I carry bad news all over the United States, so I know how you feel. I hate to take it into International Harvester, as you know in your State, and White Farm Equipment, and tell them how bad it is. It's no fun. But somebody has to tell them. And one of the first things here I want to share on this graph is farm income, is that dotted line there. If you will look at it. And the other line, Senator, is the tractor sales in America. Look at the correlation between those two, and the agribusiness community has to have this kind of data to plan.

For example, if that farmer is going to have a large tractor in your State next year or the year after to plow his fields if the one breaks down, the people in your State, John Deere, International Harvester, and White Farm Equipment, have to know it now.

Senator DIXON. And if I may interrupt at this particular point, Dr. Daniel, let me just say that the graph you have reference to—and I am particularly interested as an Illinoian because as you say we have International Harvester, John Deere, and so many other fine manufacturers, but as you can see, the graph line of the purchase of tractors almost parallels the rise and fall and cyclical experience of farm income. What you are saying to me now is—if I understand this correctly; you correct me if I am oversimplifying it—that is a man with this expertise who is with Chase Econometrics who is responsible to tell your clients all over the country what they can expect in connection with farm income, that you don't have this information now; that much of it that was part of the information you used to make those projections——

Mr. DANIEL. The last estimate I got from the USDA that would bring those figures was last November. Remember you and I—the number they had is 13 to 19 billion. Well, we have been stuck with that until now, until we have had a new number. Well, ever since then, we have had to guess, right?

Senator DIXON. Before, they provided you with their guesses, at least. I don't want to overstate this, but is it a fair thing to say that what Mr. Lesher and Mr. Hoffman were saying is that they have so many hundred, I don't know how many, 950, but not all employed in this, I think it is fair to state—and these experts who made these predictions on a monthly basis, and at least that was something else you drew on. I am sure you drew on many things. But as part of the material you had to make these projections that would tell John Deere and International Harvester, a lot of other people, what their expectations were; should they bring out a new model tractor; how many tractors they are going to sell next year; how to make their inventory planning; how they figure whether they are going to hire new people or maybe have the bad luck of laying some off—all of that is involved in it.

Mr. DANIEL. That's exactly right. And it is a very critical decision.

As you know, now the bankers are it, and the question, as you and I are seeing in the paper every day, will the bankers stick with International Harvester in reassessing their loans; and now they are very much interested, because if International Harvester goes down the tube, you and I are going to end up in a very interesting environment in the decade ahead where foreign competition may have the farm equipment business, and are we going to continue.

I think the question—let me just show you also—I mean, I really want to give you just a real solid feel of what we do and how help.

We have the data, and we do it every month—I have a staff of 18 professionals in agriculture. We have been doing this, or I have been doing it, for 8 years for Chase Econometrics. I represent the agricultural division and we do this for over 68 agribusiness companies, all the way from fertilizer companies to farm equipment companies, and they are constantly—I had a meeting last week in Philadelphia, and 68 of them show up at a time when their budgets are being cut, at a time when they do have money to travel, to learn how is that farmer getting along and what is his outlook for cash flow and farm income is going to be next year. And that tells me that there is interest, there is value to it. We sell this data, to be honest with you, for somewhere from $10,000 to $25,000 a year to these people. Is that a measure of value? Yes, it is.

And if we look at some of the issues—you are dealing with USDA—I have had a high respect for the USDA's people; one of them in this room, Eddie Myers, did farm income forecasts for a year, and I had a heck of a time beating that man and his staff, and since then they changed. But let me just give you an example.

I just happened to go by—and I am sure you should ask USDA to do this—go back and show you how accurate they have been. It is on record. And they can show you how accurate their forecasts——

Senator DIXON. I would like to have that record.

Mr. DANIEL. I just brought one here with me, the Ag Outlook for December 1978, and they were—that was one of the few years they were forecasting farm income for 1979.

Senator DIXON. All right.

Mr. DANIEL. That just happened to be a good year. That is why they reported it, right? Anyway, farm income for 1979 they reported, as I quoted here on page 2, December 1978 that their outlook was going to be between $23 and $29 billion, right? Then the actual came in at $26 billion, right on the nose.

Senator DIXON. Pretty good. I wish I could do that good sometimes.

Mr. DANIEL. That's exactly in the middle.

Last year, last December, November, the outlook said $13 to $19 billion. Well, their estimate came in at $19. They are getting awful good over there. Maybe I should not propose we do this so I could stay in business.

But anyway, I am trying to give you a feel that what I hear here isn't consistent with what I read, and this data can be shown, and to talk about another issue he brought up that, hey, all you have to know is prices. Well, let me give you an example of prices—and you and I I'm sure in going across the country, and we fight the same issue. Prices received by farmers technically, according to the data now, is 245. Well, he said that's all you have to know. Well, that tells me that farmers are 2½ times better off than they were in 1967, the base year. Well, if you will turn another page on there, you will see farm income is the lowest it's been since the 1930's. Does that tell you the same story?

Senator DIXON. No.

Mr. DANIEL. And if you take prices paid and divide it, you have got parity, and you and I have had more fun with parity over the last 15 years than we had ever dreamed of, right?

Senator DIXON. Yes.

Mr. DANIEL. And you and I know how parity doesn't reflect it. So when you deal with prices, you are not having productivity, you are not having efficiency, you are not having volume; and that is why I contradict his statement that all you need is price. It does not work to get the true economic value that the person power, the economic wealth of farm.

Now, farm income may be bad, but it is just like throwing out the mouse trap we have that has a snap on it to catch the old mouse. Until we get a new one, we better use the one we have got or the house will be full of mice. And the problem is the same: if we don't monitor farm income, the next problem you may have and I may have here testifying is the bankruptcies are out there; cash flow problems are very serious. Farm income is down. In fact, if you look at the—if you deflate it to 1967 dollars, it is below the 1930's but the only thing that saved us back then it was 30 million farmers and now there are 2½, so therefore per farm per population basis is four times higher. But that is not the way we want to talk about it.

Senator DIXON. No.

Mr. DANIEL. We want these gages. And you are looking now, bills coming here before you and as you look at this year we have got a tremendous surplus crop, your Illinois farms have done a tremen-

dous job to be so productive and to explode their yields and their profits are going to go down, and I think you should be—as legislators here should be aware of how that income is changing, how the best estimates or best guess or best forecast, whatever term you want to use, are so that you can make a judgment now. I think one of the biggest problems and one of the criticisms we see of our Congressmen and Senators is sometimes that they are always reactive. Something has to happen to get them—and I think one of the reasons why you are stuck there is because you don't get information in time to be able to make a decision.

Senator DIXON. It is your firm belief, then, Dr. Daniel—and I am interested in this graph; it certainly is good evidence of it, that there is truly value there.

I think that my friend Mr. Lesher basically makes two points: that there is no value and that in any event it isn't very good stuff because it is so much guesswork.

But I think that it is fair to state that your analysis is that they make expert evaluation of a lot of statistics which is at least important enough that people like you use it in passing it along to valued clientele; that you inform all over the country about their investment policies and things; so it certainly is at least statistically valuable enough that you use it and you are an expert in the field, and it has value in your view to the people that you deal with; they pay for it. It must have value; they pay for it.

Mr. DANIEL. That's right.

Senator DIXON. Let me just get for the record, is it in your statement, your background, your experience, and things——

Mr. DANIEL. I am sorry; I did not——

Senator DIXON. If I could have your——

Mr. DANIEL. I have a—I have been 8 years with Chase Econometrics doing economic forecast and farm income forecasting in the agribusiness area, with government and agribusiness companies. I joined Chase in 1975; I was an associate professor at the University of Tennessee in ag economics, doing forecasting and analysis, and in 1970 I got my Ph. D. in economic forecasting and planning at Purdue, masters in 1968 at Purdue University in farm management and a B.S. in ag economics from the University of Kentucky in 1964 and before that I was on a farm and the Future Farmers of America, I am proud to say, and my high school years in Kentucky.

Senator DIXON. So that your whole background has been farming, agriculture, the type of information we are discussing here has been a subject matter that you have dealt with at the universities, in private business for many, many years.

Mr. DANIEL. All my life. And now we are hiring 18 professionals doing this work for agribusiness because they were willing to support and pay for it to get this kind of information.

Senator DIXON. Well, this is the statement of Dr. Raymond Daniel, vice president, food and agriculture group, Chase Econometrics, Bala Cynwyd, Pa., United States of America, which I ask it be placed in the record, and I want to thank you, Dr. Daniels, for your important contribution to this hearing.

Mr. DANIEL. Thank you.

Senator DIXON. Mardy Myers of Arlington, Va.

Mr. Myers, would you state your name and address and background for the record?

STATEMENT OF MARDY MYERS, ARLINGTON, VA.

Mr. MYERS. Mardy Myers. I am from Arlington, Va, and my background is, I was employed in the Economic Research Service and its predecessor agencies for 28 years.

Senator DIXON. From when to when?

Mr. MYERS. From 1948 to 1976. I worked for the Crop Reporting Board. I was editor of the Dairy Situation but, most important to this hearing, for 16 years, I ran the farm income estimate in the Department of Agriculture.

Senator DIXON. Very good.

And your testimony would seem to indicate that you did it under many different administrations.

Mr. MYERS. Oh, yes.

Senator DIXON. Both Democratic and Republican.

Mr. MYERS. Right. I didn't particularly care who they were, but they were there. And I was editor of the Farm Income Situation, which was the predecessor in some ways of this Agricultural Outlook magazine, although we just dealt with farm income.

Senator DIXON. May I ask you first of all as to whether you have a formal statement?

Mr. MYERS. No, I do not

Senator DIXON. Then I would just like to have you go ahead, Mr. Myers. You have heard the testimony of Dr. Lesher, Dr. Penn, Dr. Daniels, and Mr. Hoffman, and by now you have had some sense of feel about where this is going

Mr. MYERS. Right.

Senator DIXON. You see the position of the Department, my friend, Dr. Lesher, and others, which essentially is Dr. Lesher's opinion, I guess, that, first of all the stuff doesn't have much value or it isn't that reliable and, second, that it doesn't have any value, and I would like to have your——

Mr. MYERS. Ok.

Let me start first of all by just saying what we used to do.

Now, we always made an outlook statement in November, usually in November of the preceding year. That has been done for time immemorial, before my time, and there weren't any ands, ifs, or buts about it, it was done; it was no official policy, but it was expected and it was done.

Then we did it again in April of the following year; in other words, let's assume if we are in 1982, we are at the Outlook Conference, we would make a forecast in November 1982 for the calendar year 1983; and then in April, after we got the planting intentions report, we would revise our forecast for 1983, and that would be in April, 1983; then in July of 1983, after we revised the farm income numbers for the previous 3 years, we would then make another revision in the outlook. Now, the only exception to that during my tenure was if something unusual happened during the year or during the period we were in, we might make another forecast.

Now, one thing I would like to say—of course, you always like to defend yourself—I don't think that I would agree with Mr. Lesher

that the numbers were that bad. There was one bad year, which you probably remember, 1973, when the grain crop was sort of given away to the Russians, and of course we didn't know about it, and that kind of threw us a little but that was a bad year.

Other years, as Mr. Daniel has said, were not too bad, and I don't have all the Farm Income Situations so I could go back and do it; but I think it would be interesting if somebody were to go back and check what we said at outlook time and see what came out for the following year, say for the period of 1960 to 1978, or 1960 to 1980.

Now, let me just comment briefly on what Mr. Lesher said again. The numbers do have a value. If they didn't have a value, I would like to know why all the people used to start calling me in October of the previous year. Farm and industrial equipment institute, all of their members called me; they obviously use the forecast; Federal Reserve banks around the country used to call me; individual bankers called me; individual editors of farm magazines around the country would call me. One in your State was Big Farmer. I don't know if it is still in business. They would call me. And many others who I can't remember.

Now, true, I never had a call from an individual farmer. If I had I probably wouldn't know what to do with it, and we did not get letters from individual farmers asking what the forecast was going to be for farm income. But I presume or I assume, I guess is a better word, is through the outlook in November and through these other organizations, the farmers individually got the word about what the USDA thought was going to happen. And I think it did help them in their planning.

As somebody pointed out, if we said that it looked like the livestock complex was going to be weak, this was an indication to them that they better not overexpand, or it was going to be weaker.

One other thing I would like to say and then I will let you hit me, there isn't a hell of a lot of danger making a forecast in November for 1983—say November 1982 for 1983.

First of all, it is pretty much set what is going to happen through the first 6 months of 1983, and this year of course, it is more set than ever, because supplies are so huge that there isn't a chance of much recovery and you don't have to be a farm income expert to know that. And so you have got the first 6 months pretty well locked up.

Then as the plannings progress, as the weather changes or doesn't change, then of course you may have to revise your farm income forecast.

Now, let me say one other thing and then I will quit.

When we made the forecast, it didn't entail having a lot of people involved. I had four professionals work with me who were farm income specialists on the income and expense side. Then I would visit, or we would visit, the feed grains man, the wheat man, the soybean man, the cotton man, the hog, cattle, and poultry specialists, I'll say 10, 15 people at the most in our agency.

We would put all the numbers together and then we would make our own decision on the expenses, but then on expenses we would visit people who were expert in ag finance, who knew what was going to happen to fertilizer and fertilizer prices, who knew what

was going to happen to fencing, and things—those things, and we would put it all together and make a forecast.

And it only takes, I would say, 20 people or less to make these forecasts, and the dangers are not very great in that forecast. You have got to have a little bit of guts and you have got to have a little bit of integrity, and if you have got both of those, there is really not a problem and you do put forth the best number you can come up with at the time. And it is not always perfect; it is not always right, and one other thing—if you do make mistakes on the income side, chances are you are going to make compensating mistakes on the expense side. They very seldom go in opposite directions. I can't remember many times when that happened.

So you may be right sometimes for the wrong reasons. [Laughter.]

But they still may come up with a number that is pretty good. And I think, you know, I think the Department should be making this number. I would like to commend you, Senator, for trying to get them to make the number, and frankly, as a retired ag economist and as a part-time consultant—I do work part time for Kiplinger Farm Letter—and as a person in the public, a taxpayer, it is hard for me to see how the Department can get away with not making this forecast.

Senator DIXON. I thank you very much, Mr. Myers.

Right there, you are talking about the Kiplinger Farm Letter?

Mr. MYERS. Right.

Senator DIXON. Kiplinger writes a farm letter that is used by a great many people that are involved in our agriculture economy all over the country; isn't that true?

Mr. MYERS. That's true.

Senator DIXON. Has Kiplinger relied in the past upon the information made available by the USDA concerning this subject matter we are discussing today?

Mr. MYERS. Of course, yes.

Senator DIXON. Well, now is that denied his farm letter as well at this point in time?

Mr. MYERS. Oh, sure.

Senator DIXON. Sure.

Mr. MYERS. That is why I get—that's why I do a little more work, because I make it for him. [Laughter.]

Senator DIXON. You are against your own interest.

Mr. MYERS. Well, I don't——

Senator DIXON. Well, let me ask this further.

You talked about no particular farmer ever actually called you or wrote you letters, and then you went on to say but you assume they got the information. Well, of course, you assume, and I think correctly so, that all the major newspapers in the country, and particularly those major newspapers even in the metropolitan area that have large rural readership and have rural columnists, they are writing the things that you would say——

Mr. MYERS. Oh, sure.

Senator DIXON [continuing]. They would write what your predictions were in November and again in April and July, and they would write every month, probably have a column, every time the

prediction came out for the month, the forecast and the estimate; isn't that true?

Mr. MYERS. That's true.

Senator DIXON. And those things—I don't like to take just one name, but—the Tribune is a big newspaper in my State, Dick Orr writes a column; I suspect you know him, and he is writing a column—I don't know if he writes it every day, but pretty near every day, and I suspect that a good deal of the news that he gets for his column is the work product of the USDA, or it used to be, from this information——

Mr. MYERS. I would imagine——

Senator DIXON. And the farmers read that, I presume they do; I am sure they do.

So that your point is you don't have to call or write to be getting the information you are disseminating to the country.

Mr. MYERS. I would add to that there are the extension service people from around the country——

Senator DIXON. Yes.

Mr. MYERS [continuing]. From your State, from Indiana, from all the States. One of the reasons they come to the Outlook Conference, of course, is to find out what the Department thinks is going to happen to farm income.

Senator DIXON. Then they go back to their respective districts in every State, like they do in all parts of my State of Illinois, and they tell the people; is that right?

Mr. MYERS. That is right.

Senator DIXON. But they won't get that information this November to tell the people.

Mr. MYERS. It doesn't sound like it.

Senator DIXON. No. Well, maybe we will change that. We will try.

Two points are central to this question. The people's right to know is so paramount here that we ought not to be here arguing this question. But if you want to take the two points of the USDA, the one is that the material is so unreliable, it is garbage.

Now, do you agree with that?

Mr. MYERS. I don't think I could agree with that. I think it is good material; I think it is as good or—of course, to be a little prejudiced—better than many other forecasts or estimates in the Government. Right away it is an integral part of the gross national product. I don't see the Department of Commerce not making forecasts of gross national product. And that number has to be in there.

Senator DIXON. Well, of course, it is, even now, as we are sitting here talking, Mr. Myers, they are still giving the Department of Commerce, every 3 months, all of this information we are talking about, that they won't give the public at large.

Mr. MYERS. Yes.

Of course, another question is if they don't make a forecast of farm income, I would imagine the Department of Commerce is going to make their own forecast.

Senator DIXON. And then I think the final point used, that it has no value, and your point is that it does have value, Kiplinger's Farm Letter has employed it, to go out to their clientele; it is

useful in—you heard prior testimony, the fertilizer industry, the tractor industry, just all kinds of folks. You have heard the testimony—I wonder if you would concur with that—that many farmers would probably make some of their investment determinations based on this information?

Mr. MYERS. Oh, I would concur in that. Yes, sir.

Senator DIXON. I thank you very much for your useful contribution, Mr. Myers, thank you for coming.

Robert Mullins is our last witness from the National Farmers Union.

Could you state your name, title, and address, Mr. Mullins?

STATEMENT OF ROBERT MULLINS, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. MULLINS. Yes, sir.

My name is Robert Mullins. I am director of legislative services of the National Farmers Union here in our Washington office.

Mr. Chairman, the thing about being last is everybody has already said what you were going to say.

Senator DIXON. I am sure that's true.

Mr. MULLINS. But you can respond sometimes; so I will just ask that my prepared statement be submitted for the record.[1]

Senator DIXON. All right, fine.

Thank you.

Mr. MULLINS. I would just like to talk about two issues that have been brought up time and time again, one is the value, the accuracy and reliability of the reports, and the second is the public's right to know.

Value has already been, I think, very adequately discussed as it relates to giving the information back to farmers, through publications, magazines, the Kiplinger Letter, our Washington Farm Letter, we all use the same data base.

Second, as has been pointed out, it is useful to bankers, agribusiness, machinery manufacturers, people who have to plan production way in advance. They have to have some idea of where we are going in the economy. So that the value there I think is well stated, without question. I think the accuracy and reliability aspects, as Dr. Penn pointed out, are excellent, as did the gentleman from Chase Econometrics.

If you go back and look at all the Department's reports, their accuracy is phenomenal, I don't care whether it is in prices, in production, income, they have an excellent record. They are professionals over there. They do a good job. So I think anybody who challenges the accuracy or reliability of those figures is setting up a straw man.

The point that has not been brought about value, Senator, is something I think is very important, and that is the value that it contributes to making good public policy. How are you gentlemen sitting around this table supposed to make good public policy if you don't have some idea as to where the economy is going?

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[1] See p. 59 for the prepared statement of Mr. Mullins.

Now, in the budget reconciliation package that just passed, you acted because you had a forecast of what was going to happen if you didn't do something. Now, whether it is in a public body like this or within an organization like our own, we have to know what the future holds, at least have an idea of the direction in which we are moving. So I think in that area alone, it is an extremely valuable tool. How does the Department formulate their policy if they have no idea in which direction the economy is going?

Senator DIXON. Of course, they have that information. They won't give it to you and me.

Mr. MULLINS. Well, maybe there are some reasons for that that I won't get into.

But I think the value, the accuracy and the reliability question have all been very well documented.

The other issue that you have brought up consistently is the public's right to know. What we are talking about here is only one issue, and it is part of a broader issue, Senator, and that is the Department's overall policy on providing information to its constituents. We are very concerned about this.

When the Department was created, back in 1862, it was mandated, required that the Department shall acquire and diffuse amongst the people of the United States useful information on subjects connected to agriculture.

Senator DIXON. My goodness gracious.

Mr. MULLINS. That is the first—that is in there——

Senator DIXON. It took us all the time from 1862 to 1982 to violate that direction. [Laughter.]

One hundred and twenty years.

Mr. MULLINS. 120 years.

The collection and distribution of that information was the preeminent reason for the Department to be established.

Senator DIXON. That's amazing. I haven't even known that. That's interesting.

Mr. MULLINS. I quote the charter and the act in my statement here.

Senator DIXON. What is the charter of the act for the USDA.

Mr. MULLINS. When President Abraham Lincoln signed on May 15, 1862.

Senator DIXON. Another fine Illinoian.

Mr. MULLINS. Another fine Illinoian.

But seriously, we are disturbed by the decision of the Department to turn away from this simple mandate that they have to provide information. In addition to the income reports that they have summarily canceled, one of the most serious actions was taken last November when without notice or consultation the Department ceased issuing the report, the U.S. Agriclutural Attache Report, which had previously been public information. They were very valuable because they contained reports dealing with foreign agricultural policies, developments, production, and they were freely available, without any political censorship, which is what makes them even more valuable. The Department has ceased publishing or—at least releasing, I guess without going through the freedom of information suit, releasing that information.

Senator DIXON. How did they used to give that information?

Mr. MULLINS. I would get a bundle every week, just sent out in the regular departmental news releases.

Senator DIXON. And that would inform you of what other countries were doing as far as their agricultural policy?

Mr. MULLINS. There used to be an annual order form; you check whatever area in the world you were interested in, particular crops or whatever, and you would just get them automatically. And they were very valuable for assessing not only production in the world, but also the political changes that were going on in the world, which impacts on agricultural policy.

Just to highlight this change of philosophy and policy, I want to quote one thing. And that is USDA's budget summary for this last year notes that "crop and livestock reports proposed for elimination by SRS are basically for the use of the public only and are not required for the administration of Government programs." Now, that certainly is a down playing of the public's right to know. And then summarily, without the courtesy of consultation, with this committee, or the House Agriculture Committee, or anyone else, to my knowledge, they eliminated 26 crop and livestock reports and reduced the coverage of several others. This is a trend that I think is dangerous in that they are, through their budgetary restraints, that's the argument that you hear over there, reducing the public right to information.

Senator DIXON. If I may intercede at this point to make this point. You have been here for all the testimony. The people are still onboard; they still print the magazine, and I can't imagine one penny of the taxpayers' money additionally being spent by the simple publication of this information in the manner in which it has been done in the past. All the people are there; the same number of publications are going to be issued with respect to Agricultural Outlook, and I just don't see any expense at all involved.

Mr. MULLINS. In fact, with Agricultural Outlook, yes, sir. But they have cut back substantially other reports and of course now are charging for all of these, which in previous years have been available to producers, everyone that needed to know on a free basis, which I think is a legitimate function of the research aspects of Government.

Senator DIXON. Mr. Mullins, you represent the National Farmers Union. How many members do you have?

Mr. MULLINS. We represent about 300,000 families across the country.

Senator DIXON. And those folks are farmers, essentially the members of your union, the National Farmers Union, are farmers——

Mr. MULLINS. That is right.

Senator DIXON [continuing]. And the statement has been made by those representing the USDA that—I don't know that they said farmers aren't interested, but the implication is clear that it doesn't—the exact quote of my friend, Mr. Lesher, is that it doesn't help the individual farmer. Now, obviously, you are here in the view that it does help the individual farmer to have this information.

Mr. MULLINS. Absolutely, yes.

If you have ever seen our Washington News Letter that comes out every week——

Senator DIXON. Of course.

Mr. MULLINS [continuing]. We devote the third page of each edition to market analysis, be it domestic prices, production, cooperatives or global domestic marketing—or global marketing. So page 3——

Senator DIXON. So you have that every week. And if we weren't to put that out——

Mr. MULLINS [continuing]. Our members would be in an uproar because that is—we get more comments on the marketing page and the fiscal analysis than anything else we put in that newsletter.

Senator DIXON. Well, I might observe that I hold in my hand National Farmers Union Washington News Letter of September 10, 1982, volume 29, No. 35, where you thought this hearing this morning was of sufficient importance that you headlined this particular hearing, and in three columns on the front page of your newsletter, informed your membership of 300,000 people about the fact that the hearing was pending, and your support of S. 2291, which has been introduced by myself and eight of my colleagues in the Senate.

So certainly it is the attitude of the National Farmers Union that so far as your 300,000 farmers in this country who are members and their families of your organization that the publication of this information is important to you.

Mr. MULLINS. I think it is more than important. I think it is as valuable as other things that they put into their long-range planning for their agricultural unit.

Senator DIXON. Well, I certainly want to thank you, Mr. Mullins and for the statement which has been put in the record. It will be disseminated to every member of this committee and I want you to know that we are going to forge ahead on S. 2291.

May I further say while we are still here in session that the ranking member of this committee, Senator Huddleston of Kentucky, has asked that a statement made by him be placed in the record and consent is granted herewith for the placement of that statement in the record;[1] and if there are no other witnesses who care to be heard, I declare this particular subcommittee meeting adjourned until further proceedings.

[Whereupon, at 11:23 a.m., the subcommittee adjourned, subject to call of the Chair.]

[1] See. p. 41 for the prepared statement of Senator Huddleston.

APPENDIX

STATEMENT OF HON. WALTER D. HUDDLESTON, A U.S. SENATOR FROM KENTUCKY

Mr. Chairman, I commend you on scheduling this hearing on S. 2291, a bill that would require the Secretary of Agriculture to make and disseminate estimates of gross farm receipts, production expenses, and net farm income on a monthly basis.

I was happy to join Senator Dixon in introducing S. 2291.

Until January of this year, the Department had been publishing this information on a monthly basis, and the bill would simply require the Department to continue doing so.

Under the Organic Act establishing the Department of Agriculture, the Secretary of Agriculture is charged with the responsibility of acquiring and diffusing "among the people of the United States useful information on subjects connected with agriculture, rural development, aquaculture, and human nutrition in the most general and comprehensive sense of those terms."

The practice of the Department in making and disseminating monthly estimates of net farm income was consistent with its responsibilities under the Organic Act. However, the decision to discontinue publishing such information monthly was, in the judgment of the cosponsors of S. 2291, most unwise.

As Senator Dixon stated when he introduced S. 2291, (1) the level or farm income is an important indicator of the health of rural America, (2) Congress must have timely and complete information about the current and expected financial condition of agricultural producers, and (3) this information helps Congress evaluate whether legislative action in required to preserve our vital food and fiber producing industry, an industry that contributes more to our balance of payments than any other.

Moreover, it comes as some surprise to me that this hearing is necessary.

The entire Committee on Agriculture agreed in April to include language on farm income estimates in the report accompanying a bill to amend the Potato Research and Promotion Act. The language is explicit: The committee intends that the Secretary continue to make and disseminate monthly estimates of gross farm receipts, production expenses, and net farm income.

The Department of Agriculture has thus far ignored the expressed intention of the committee.

I look forward to some explanation as to why the Department is opposed to S. 2291 and why it is ignoring the expressed intention of the committee.

STATEMENT OF HON. EDWARD ZORINSKY, A U.S. SENATOR FROM NEBRASKA

I appreciate the opportunity to make this brief statement on the farm economic situation.

There's a depression in agricultural America. And it's getting worse. According to recent estimates from the Agriculture Department, net farm income this year could equal the worst years of the 1930s. The report released by the Department on September 1 projected net farm income this year at $19 billion in current dollars. Even at this optimistic projection, farmers have had four straight years of declining net farm income with a 24 percent drop from 1981.

This $19 billion net income projection is not only optimistic, it is deceptive as well. The reason is that it includes approximately $4 billion in direct federal payments to farmers. Real net farm income, that earned from growing crops and raising livestock, is in the neighborhood of $15 billion, if the Department's estimates are correct.

It is rather ironic that this Administration, being so "market-place" oriented, must include government payments to prop up its farm income statistics.

As could be predicted, with farm income declining, farm debt is expected to be up 43 percent in 1981 compared to 1979.

And, for the first time in more than 25 years, the value of a farmer's land is lower today than it was a year ago.

Exports from America's farms are declining for the first time in more than 10 years.

The causes of this farm depression are many. But in the main, they are the result of critically low farm prices. In my own state of Nebraska, wheat prices are down to 42 percent of the August 15 national parity price. Corn in some locations was as low as 35 percent of the national parity price.

The outlook for the future is even more bleak. Record corn crops are forecast this year, leading to record (and costly) carryovers and even lower prices. Wheat and feed grain crops also will be up this year over last, according to forecasts. The results will be bankrupticies of farmers throughout the United States. The farm sale already has returned to America's countryside with jarring force. Unless something is done, farm sales, too, will soon be setting records.

The Administration can stop this slide and they can do it today. Secretary Block has within his power to administratively boost price support loan rates for wheat, corn and other feed grains. That would immediately increase farm income, since loan rates provide a market price floor. The increases would quickly put cash in hardpressed farmers' pockets and could mean the difference between bankruptcy and solvency for many.

Mr. Secretary, I ask you to consider seriously the consequences of failing to act in the current crisis. Consider both the human consequences and the implications for our entire national economy. It's clearly apparent that the growing lines of unemployment in Detroit started in the corn and wheat fields of the Midwest. Don't let today's agricultural depression precipitate a "farm led and farm fed" depression throughout the rest of the American economy.

I ask my fellow colleagues to join me in supporting S. 2291, so that farmers can be informed on a monthly basis about the state of the agricultural economy.

STATEMENT OF HON. WILLIAM G. LESHER, ASSISTANT SECRETARY FOR ECONOMICS, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman and members of the Subcommittee, I want to thank you for this opportunity to appear here today and discuss with you the issue of forecasting and reporting farm income. I understand and appreciate your concern that a major responsibility of the Department of Agriculture is to provide a fair, accurate, and reliable assessment of economic conditions in the farm sector, including the outlook. We agree that this is a basic responsibility of the Department of Agriculture. However, we do not agree that mandatory reporting of net farm income forecasts, as required by S. 2291, is consistent with this objective. In fact, this requirement likely would detract from our ability to accurately describe economic conditions in the farm economy and not be in the interest of farmers. Thus, for the three major reasons set forth below, we oppose enactment of S. 2291.

First, it is a gross oversimplification to suggest that the economic conditions of our diverse farm economy can be boiled down to a single number. At best, it is one indicator among many. Over time, as our farm economy has become increasingly integrated into the general economy, net farm income tells only a small part of the story. Requiring monthly forecasts of this particular indicator so far in advance would only serve to focus public attention on this single measure at the expense of a more basic understanding resulting from use of a whole set of measures.

Second, because of the extreme sensitivity of net farm income to small changes in either cash receipts or production expenses, estimates for past years are subject to substantial revisions and forecast errors are often very large. The extreme sensitivity of the net farm income statistic to small changes in receipts and expenses reduces its usefulness for accurately describing changes in the farm economy.

Third, farmers do not need estimates of net farm income so far in advance, nor to my knowledge, are they seeking them. No individual farmers can tell you next month what his or her net farm income will be for 1983, and they do not expect the Department of Agriculture to be able to do so either. So the question is: What purpose is served with taxpayer dollars to forecast net farm income

over a year in advance when we all know that the number is subject to gross error?

It is not easy to describe economic conditions in the farm sector. Conditions vary widely depending upon regions, commodities produced, tenure, debt position, credit availability and many other factors. It is not possible for a single indicator to adequately reflect this diversity. To describe the general economy, we must look at many indicators such as GNP, per capita disposable income, exchange rates, unemployment rates, the money supply, the consumer price index, industrial production, auto sales, housing starts, and the like. I am sure the Committee is aware that while various agencies within the U.S. Government develop forecasts of these official indicators, they seldom are published, much less released monthly.

To focus on the level or the change in any one indicator would not be very meaningful and would be misleading. This is even more true for describing the economic situation for farmers since the farm sector is only a part of the overall economy and is becoming more integrated into the general economy. To describe economic conditions in the farm sector requires a long list of measures in addition to net farm income such as cash flow, farm equity, off farm income, returns on assets, farmland values, debt asset ratios, returns to operator-supplied factors, asset growth, changes in debts outstanding, prices received and paid by farmers, and productivity indexes. Even these indicators are averages and aggregates that mask the financial situation for individual farmers or groups of farmers.

Let me give you one current example of how misleading it can be to focus on a single indicator. In recent months there have been numerous reports in the press which suggest economic conditions in the farm sector are the worst since the great depression of the 1930's. They have arrived at this conclusion by misinterpreting USDA statistics on net farm income. In 1980 and 1981, net income from farming declined to about $20 billion from the recent peak of $32 billion in 1979. In nominal terms, the 1980 and 1981 net farm income levels were higher than 1976 and 1977; but after adjustment for inflation, deflated net farm income dropped to the lowest level since the early 1930's. However, the story does not end there. We must also point out that since the 1930's the number of farm operators has declined from over 6-1/2 million to less than

2-1/2 million. After adjusting for the decline in the number of farmers, net farm income per farm in 1981 will total over $10,000 and will be the fourth highest ever, compared with $450 in the early 1930's. Even after adjusting for inflation, real net income per farm is more than three times larger than in the 1930's.

Another major difference from the 1930's is that in today's farm sector we have more part-time farmers and operators who receive most of their total income from off the farm. Currently, about half of our farmers sell less than $10,000 worth of farm products each year. These 1.2 million farms account for less than 5 percent of total sales of farm products. About one-fifth of our farmers sell less than $2,500 worth of farm products each year, equivalent to receipts from about 10 acres of corn. As you can see, it would be misleading to simply look at average income per farm, including all these very small farms, without considering their off-farm income. In recent years between 50 and 60 percent of the total income of farm operator families is received from off-farm sources. For the smallest farms, virtually all of their total income is from off the farm. Last year, total income per farm operator family was the second highest ever at over $26,000. After adjusting for inflation, real income per farm operator family last year was about the same as the early 1970's.

So far I have tried to illustrate the limitations of using the net farm income statistic to describe the economic conditions of the farm economy. Now I would like to focus on the sensitivity and variability of this statistic which I feel further reduces the usefulness of these projections for farmers and others.

It is important to keep in mind the difference between an estimate and forecast. An estimate is an approximate measure of an item usually derived by calculation from sample data. An estimate assumes that all events affecting the quantity measured have occurred. A forecast is a quantitative evaluation of future outcome based on current conditions or the assumption that certain conditions will prevail.

As you know, net farm income is the difference between gross farm income, which was recently estimated to have been around $161 billion in 1981, and production expenses, which are estimated to have been about $141 billion. This leaves forecast net income at about $20 billion. By most statistical

standards, a statistical estimate would be considered very accurate if it contained an error of 2 percent. Because of the uniqueness of net farm income, you can see that if gross income was underestimated by just 2 percent and production expenses were overestimated by 2 percent, the resulting error in net farm income would be 30 percent. This is the error potential for our historical estimates, not forecasts. The coefficient of variation on the 1981 farm production expenditures survey which is the basis for total expenses in the farm income accounts was 2.8 percent. This means that chances are only 2 out of 3 that the actual value of 1981 farm production expenses was within $3.9 billion of the estimated value of $141 billion.

We are unable to make firm estimates of the previous years' net farm income statistics until the annual production and price data are finalized and the results of the annual Farm Production Expenditure Survey becomes available. This means that the first estimate of the previous year's farm income data are usually completed in July of the following year. Currently, our 1982 farm income statistics are still forecasts, particularly the farm production expenses. As a result, 1982 income forecasts released this September are subject to potentially large revisions when the first estimates for 1982 are published in July of next year, after the price and production data are finalized, and the survey results are tabulated. During the past 7 years for which we have data, the revisions from September forecasts to July estimates have averaged $3.4 billion, or about 15 to 20 percent.

Because of the difficulty in providing accurate estimates of net farm income after the fact, for years past, you can easily begin to see our concerns about making early forecasts of net farm income for the years ahead. Forecasting the coming year's net farm income statistics three months before the year begins, as S. 2291 requires, would mean making forecasts on virtually no solid data. We would have to assume acreage planted, yields, crop and livestock production, economic conditions in the U.S. and abroad to include exchange rates and interest rates, all commodity and input prices, even the weather. And because we would not know the current year's production expenses until July of the following year, we would not be able to use the current income forecasts as a starting point for our forecasts for the coming years.

Forecasts of net farm income require detailed forecasts of all the major commodities and inputs in the farm income account. Small changes in the forecasts for these key commodities can easily produce wide changes in the net income forecasts. For example, a 10 cent per bushel change in the corn price forecast would change corn receipts by over $400 million. A change in the cattle price forecast by $1 per hundredweight would result in drastic changes in the net income outlook. The same is true for interest rates. A one percentage point change in the interest rates on all farm debt outstanding affects net farm income by about $2 billion.

Frankly, the dangers of these early forecasts seem to me to be quite substantial. The inability to accurately forecast net farm income is not necessarily a poor reflection on our analysts. No one else can do any better; It simply reflects a fact of life that we cannot predict with accuracy such events as weather over which we have little or no control. While we can make early forecasts based on the many required assumptions, the question is what is the value of these forecasts and how should they be interpreted. Granted that forecasts tend to become more accurate as the year progresses, there are still many months during the first half of the year when public debate would revolve around an unreliable and largely meaningless figure. Large forecast errors can result from trying to convey too much information too soon. This seriously erodes the usefulness of our farm income forecasts and causes users to question the integrity of the numbers.

Farmers cannot tell you what their net farm incomes will be a year in advance and it is unrealistic to believe that the Department can aggregate over 2.4 million farms into a single net income measure that is reliable. Farmers do not need an estimate of net farm income to know the circumstances they face at the current time, so why waste taxpayer dollars to provide an unreliable net farm income estimate that is not useful for farmers.

I am convinced that the best way to deal effectively with these problems and issues is to adhere to the strict and published schedule for reporting farm income that was announced in the April issue of Agricultural Outlook. That schedule calls for USDA to release its first estimate of the previous year's farm income statistics in July of the following year. This data, in

combination with the first good estimate of the current year's crop production from the August crop report, will provide a good basis for making the first forecast of the farm income prospects for the current year in the September Agricultural Outlook.

The approach I have recommend is admittedly conservative. It is the best way I know to ensure that we will provide credible estimates as soon as we have the information on which to base them. The delayed reporting schedule will not remove all error, but it will minimize the problems, and I believe it will lead to better uses of these numbers based on reliable information rather than supposition.

STATEMENT OF J.B. PENN
ECONOMIC PERSPECTIVES, INC.
MCLEAN, VIRGINIA

Mr. Chairman, I appreciate the invitation to appear before this Subcommittee to comment upon the dissemination of farm income estimates and forecasts by the Department of Agriculture. I am J.B. Penn, an economist with Economic Perspectives, Inc., a food and agriculture consulting firm. I previously served as the Deputy Administrator of the agency responsible for the preparation of the farm income statistics. I have gone from a producer to a user of that information.

Farm income estimates are possibly the most complex economic measurements the Department makes. They depend on a blend of most of the disparate pieces of information produced to describe the agricultural economy. Specifically, they require the estimation of gross receipts from the sale of commodities which, of course, reflect the quantities of all farm commodities sold and the prices farmers received for them. They require the estimation of production expenses, again involving the prices paid and quantities used of all production inputs. And they require an estimation of size and valuation of inventories, the stocks held by farmers before they are sold. They are complicated by the need to impute values for those things not bought and sold directly, such as home consumption products and the rental value of the dwelling.

An additional distinction is useful and that is between estimates and forecasts of farm income. Although often used interchangeably, the term estimate is generally used to refer to the measure for a time period already past, while forecast refers only to a future time period. That is, we now have income estimates for 1981 and forecasts for 1982.

The Department has generally presented its first forecasts of income for the coming year at the annual outlook conference held in the fall, the time when it presents its detailed review of conditions for the coming year for all of agriculture. The forecasts were then updated and revised monthly and presented in the Department's Agricultural Outlook magazine throughout the year.

Earlier this year, the Department decided to discontinue reporting the forecasts until September of the year in question. The decision to stop

reporting the forecasts was unfortunate partly because of its impact and, in my view, because the reason was wrong. It was not a question of the estimates being worth their cost, not duplication of a better series, nor a technically incorrect concept. The need is real, important and unfilled. The series is done in a thoroughly professional manner, and although it can certainly be improved, there is no technical reason to drop it. Because the reason for discontinuing the series was not technical, it tended to politicize unnecessarily a function of the Department that should remain objective, done by career professionals and outside partisan politics.

It is always legitimate to question whether government efforts are worth the cost, and basic economic data series always have difficulty showing exactly their payback. Still, the decisions were made long ago in our economy to measure economic variables like farm income, and such measures should not now be in question. They should be reported year in and year out, through good news and bad. It has long been recognized that estimates and forecasts of the performance and functioning of all sectors of our economy are vital to a market economy, and are of value to farmers and the businesses that serve them. For many businesses, such information is essential to their efficient planning and operation. Moreover, such forecasts are critical to intelligent policy formulation and execution.

It is axiomatic that whatever the economic news, all Administrations, Republican and Democratic alike, want to herald the good news and take credit for it, and to downplay or even suppress the bad news. This is true whether the information is estimates or forecasts of unemployment, inflation, interest rates, the balance of payments, food prices, or farm income. One could expect that if a return to more prosperous times in the farm sector should appear to be in the offing for 1984, this Administration would have a much different view about disseminating several months in advance the forecasts of substantially higher farm income.

It is also widely accepted that the provision of objective information is an essential function and responsibility of government in a market economy. Its availability to all precludes one or another group from gaining an unfair advantage over others. This has been especially true for agriculture where the sector consists of several million farmers doing business with much more concentrated sectors and much larger firms. The

ready availability of economic information is essential to helping farmers be informed about the economic environment in which they are operating and to remain on par with the businesses with which they must deal.

While the farm income estimates and forecasts themselves may not be the most crucial pieces of information to farmers, they are useful for their advance planning. They are also useful for other agricultural businesses--from local fertilizer and implement dealers to national input manufacturing firms.

And, if these forecasts are rather arbitrarily discontinued, the question arises as to what is next. Also, this comes at a time when the data and information collection and dissemination at the Department has already been pared significantly because of the budget reductions.

USDA has long estimated and reported a comprehensive set of income estimates, dating to the mid-1920s. The usefulness of the statistical series has been maintained by revising and expanding them from time to time to reflect the changes that have taken place in the agriculture sector. Individual State income estimates were added in 1949, and income estimates by size of farm (measured by sales) were begun in 1960.

To more fully reflect the changed nature of modern farming as it has evolved--a high-risk, high-technology, capital-intensive business--the accounts were significantly expanded and restructured in 1980. New accounts were added which permitted the earnings and financial dimensions of the farm business to be distinguished from family income and finances. The aggregate accounts were separated to enable the earnings of a farm business to be distinguished from family income and to better reflect the income and wealth status of farms by type, by size (measured by sales), and by type of ownership (owners, renters, and combinations). The accounts are not just income statements but also balance sheets, showing not only the cash flow position of farms in any year but also the debt and asset positions for an indication of the longer term economic health of the sector.

One of the reasons given to discontinue reporting the income forecasts is the inherent difficulty in forecasting for agriculture. The argument is that because it is now interdependent with the U.S. and world economies that there are many more forces that affect it and make farm income more variable than ever before. But, this additional uncertainty and complexity are

precisely the reasons that the forecasts are more useful and valuable than ever before. It is far better to have the best information and judgments of experienced analysts available than to try to operate with no information, or to resort to the long discarded rolling of dice, reading of tea leaves, and the like.

Further, the argument that because the sector is subject to many volatile unpredictable forces and thus cannot be forecasted accurately really begs the question. That argument--that since we don't know the future with certainty, we shouldn't speculate about it at all--carried to its logical extreme would preclude all forecasting. In fact, it is this very uncertainty about the future that makes the forecasts useful. And, it is frequently the publication and use of the forecasts that lead them to be in error--when people see the forecasts, they alter their economic plans, decisions, and operations, and the combined result is an outcome different than forecast. An example of this is a forecast of low hog prices because of an expected large buildup in the hog herd and a subsequent large supply coming onto the market. This forecast may cause many hog producers to alter their plans, reduce their herds and their ultimate marketings. The price is consequently higher than forecast.

Another very important and overlooked point in this discussion of forecasting accuracy is that the forecasting is a dynamic process. The initial forecasts for the year ahead are made at a particular point in time, employing explicit assumptions and using the information that is then available. But, this is not where the process stops. Each month when the farm income forecasts are updated, new information which has become available is incorporated into the forecasts. It is not that forecasts are made once for the year ahead and then forgotten. They are revised and updated as conditions change, new developments occur, and additional information becomes available. When reported, this information is as useful as the initial forecast. This process should lead to a closer convergence, with the final forecast before the first estimate being within an acceptable range of accuracy.

I have one final point to make in closing. The Department of Agriculture has a long tradition of providing reliable, objective, and comprehensive statistics and research studies on American agriculture and the

food system. Those functions have continued through the years in both Democratic and Republican Administrations, and by and large remained free of taint. More recently, however, a growing number of people are seeing reasons for serious concern. The budget for these functions has been eroding over the years, and quite significantly in the current fiscally austere climate. And, more and more reports are being heard of suppressed studies and of estimates having to pass political as well as professional muster before being issued. The value of this system, above all, is its credibility--if this is undermined, the system loses all value.

Thank you.

STATEMENT OF DR. RAYMOND DANIEL, VICE PRESIDENT, FOOD AND AGRICULTURAL GROUP, CHASE ECONOMETRICS, BALA CYNWYD, PA, UNITED STATES OF AMERICA

It is proposed that the USDA disseminate farm income estimates on a monthly basis.

This bill is certainly on the right track in providing more up-to-date information on the health of the farm economy. In today's fast moving economy, it is essential that planners have information which is timely and which is the latest thinking of experts in the agricultural sector.

Farm income information is vital to at least three major segments: agri-business, government agencies, and legislatures.

Agri-business

The agri-business sector needs farm income information in order to provide farmers with farm input supplies, especially tractors, buildings, and other capital goods. If farm demand for tractors or other machinery expands, then farm equipment manufacturers need time to order raw materials, produce the equipment, and then provide it to retailers.

Without such strategic information as farm income data indicating an improvement in the farmer's purchasing power and subsequently his future needs for equipment, equipment manufacturers will not have inputs available when farmers need them to plant crops, subsequently the world and U.S. consumers would suffer (Figure 1).

The opposite is also true in that farm supply manufacturers need to learn when farm income is deteriorating so they can reduce production and prevent a buildup in excessive inventories, causing major financial loses.

We in the Agri-business consulting industry are constantly asked to make such information available to the farm supply industry and monthly updates by the USDA provide valuable input into our analysis.

However, we cannot meet the needs of many small manufacturers, whose total sales do not warrant the purchase of consultants, who can develop farm income estimates. These small manufacturers would subsequently have a disadvantage against larger companies.

FOR WANT OF GOOD PLANNING INFORMATION AGRI-BUSINESS DIES.

Government Agencies

Government agencies require more frequent updates of farm income to determine the financial health of agriculture. Comments are made by several government agencies about whether farm income is indeed a measure of farmer purchasing power, economic health, financial conditon, etc.

We recognize the problems associated with developing an estimate of farm income and also have our concerns as to what it really measures. However, we have been working with farm income data for almost 8 years and have found it to be a very useful guide in determining the overall health of the farm economy. For better or worse farm income is still the most sought after forecast we have from the agri-business capital goods industry and government agencies.

When new farm programs are evaluated by different agencies, they always ask about its impact on farm income. Each agency realizes the deficiencies of farm income estimates, but until a better measure is developed it is still the best indicator of the economic vitality of agriculture.

Therefore, government agencies need to have farm income estimates in order to ascertain the economic health of this vital industry.

The Bureau of Labor Statistics must also make estimates of farm income on a monthly basis for our national income accounts. This data is constantly used in making national government policy. Therefore, we feel that professionals in the USDA would be better at developing such estimates than BLS.

MORE TIMELY INFORMATION IS ESSENTIAL FOR BETTER GOVERNMENT POLICY.

Legislatures

Both the House and Senate have a vital interest in being able to monitor the health of the U.S. farm economy. This segment plays an essential role in our food supply, agricultural exports, as well as the health of rural America. Monthly updates or at least quarterly updates, would provide essential data on whether farmers' standard of living is being impacted adversely in times of economic change. For example, U.S. economy could recover and the farm sector remain depressed due to high inflation and surplus crop production.

Farm income data are also essential in determining whether the agricultural economy is improving or declining. Currently, we find real farm income at or below 1930 depression levels, Tables 1 and 2. However, once the data are adjusted for farm population then we find real farm income to be 3 to 4 times higher than the 30's. This type of information needs to be constantly updated to keep everyone abreast about the economic outlook for the farm sector and this allow more timely action to be taken to prevent a total collapse.

Unless farm income data are available the problem would go unnoticed until bankruptcies and farm foreclosures force tractor-cades to Washington.

FARM INCOME INFORMATION IS VITAL FOR SENATORS AND REPRESENTATIVES TO MAINTAIN A LINK WITH RURAL AMERICA.

We would, thus recommend that USDA allocate more resources to developing more quality estimates of farm income data. The staff at USDA is doing the best it can under current resource constraints but we feel that a considerable improvement can be attained with added resources.

In summary, we recognize that no one measure of the economic health of agriculture is sufficient. Therefore, considerable effort should be made to develop a good analysis of all the data from cash receipts to production expenses in arriving at a estimate of farm income.

It has also been our observation that discontinuing of the reporting of farm income data only occurs when farm income estimates are projected to be near record lows or "depression" levels. We have never seen anyone unwilling to report good news about farm income.

TABLE 1
U.S. AGRICULTURAL ECONOMY IN THE DECADE OF THE 1930'S[a]

	Realized Net Farm Income					Realized Net Farm Income Constant $	
	Current $	Constant $	Prices Paid by Farmers	Farm Pop.	No. of Farms	Per Capita	Per Farm
	- - -Bil. - - -		1967=100	- - -Mil.- - -		- - - - 1967$ - - - -	
1930	4.3	9.7	44	30.53	6.29	317	1539
1931	3.3	8.8	38	30.84	6.61	285	1330
1932	2.0	6.2	33	31.39	6.69	196	919
1933	2.6	8.0	32	32.39	6.74	246	1182
1934	2.9	8.3	35	32.30	6.78	258	1230
1935	5.3	14.7	36	32.16	6.81	456	2154
1936	4.3	12.0	36	31.74	6.74	377	1776
1937	6.0	15.8	38	31.27	6.64	505	2378
1938	4.4	12.1	36	30.98	6.52	391	1857
1939	4.4	12.3	36	30.84	6.44	410	1902
Average:							
1930-34	3.0	8.2	36	31.49	6.62	260	1240
1935-39	4.9	13.4	36	31.40	6.63	428	2013
1930-39	4.0	10.8	36	31.44	6.63	344	1627

a) Constant dollar figures deflated by prices paid by farmers

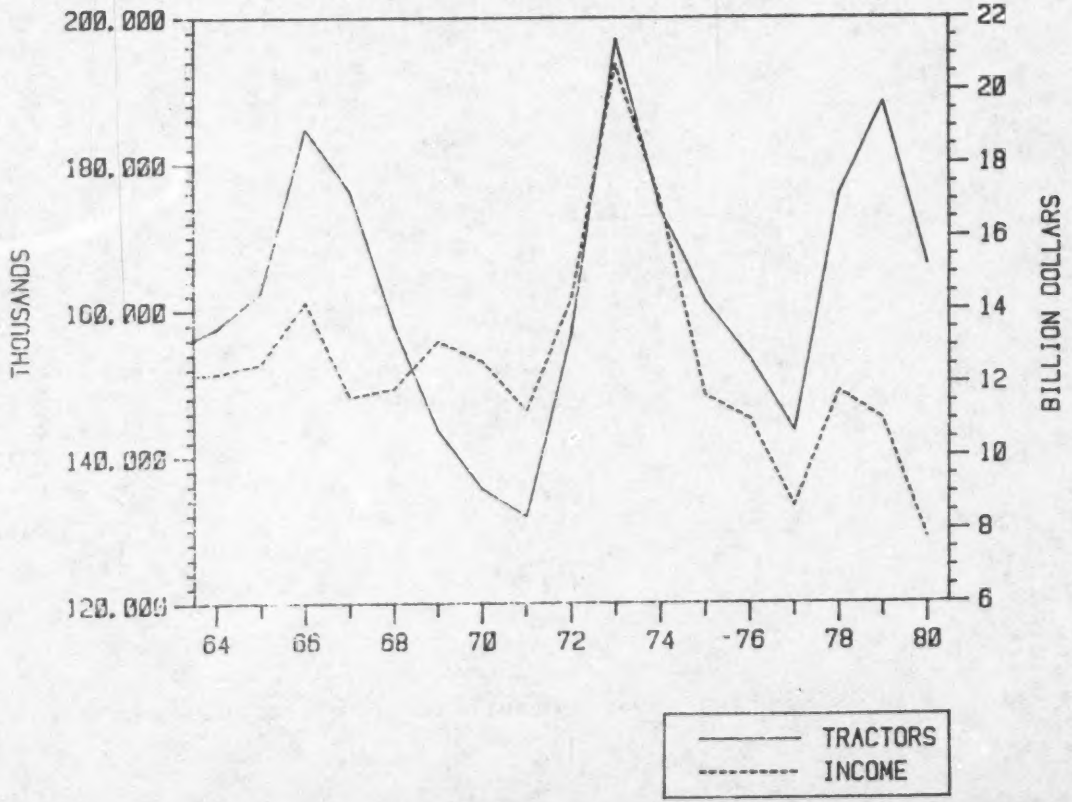
TABLE 2
U.S. AGRICULTURAL ECONOMY IN THE DECADE OF THE 1970'S[a]

	Realized Net Farm Income					Realized Net Farm Income Constant $	
	Current $	Constant $	Prices Paid by Farmers	Farm Pop.	No. of Farms	Per Capita	Per Farm
	- - -Bil. - - -		1967=100	- - -Mil.- - -		- - - - 1967$ - - - -	
1970	14.1	12.6	112	9.71	2.95	1278	4271
1971	13.2	11.3	118	9.42	2.90	1200	3896
1972	17.8	14.3	125	9.61	2.87	1488	4983
1973	29.9	20.7	144	9.47	2.84	2185	7289
1974	27.7	17.0	164	9.26	2.83	1836	6007
1975	21.0	11.7	180	8.86	2.81	1321	4164
1976	21.1	11.0	192	8.25	2.78	1333	3957
1977	17.2	8.6	202	7.81	2.77	1101	3105
1978	25.9	11.8	219	8.00	2.74	1475	4307
1979	26.7	10.7	250	7.55	2.70	1417	3963
1980	24.4	8.7	281	7.34	2.67	1185	3258
1981[b]	19.6	6.5	304	7.11	2.66	914	2444
1982*	17.7	5.6	317	6.93	2.65	808	2113
1983*	20.8	6.1	338	6.71	2.64	909	2311
Average:							
1970-81	21.55	11.53	191	8.80	2.81	1394	4303

a) Constant dollar figures deflated by prices paid by farmers
b) Preliminary
*CE Projections

FIGURE 1

TOTAL SALES OF FARM TRACTORS
AND CONSTANT DOLLAR FARM INCOME



STATEMENT OF

ROBERT J. MULLINS
DIRECTOR OF LEGISLATIVE SERVICES
NATIONAL FARMERS UNION

Mr. Chairman and Members of the Subcommittee:

I am Robert J. Mullins, Director of Legislative Services for the National Farmers Union, a general farm organization representing the interests of family farmers and ranchers throughout the United States. Included in our membership are producers of virtually every major agricultural commodity produced in this country.

I appreciate the opportunity to appear before the Subcommittee to relate to you our views on S. 2291, a bill which would direct the U.S. Department of Agriculture to publish farm income statistics on a monthly basis. On behalf of the organization, I wish to commend Senator Dixon and the other co-sponsors of this legislation. It is, in our opinion, unfortunate that this legislation is even needed. The Congress of the United States should not have to order the U.S. Department of Agriculture to compile and release this information to the public. Good public policy cannot be made in the absence of solid, reputable information.

National Farmers Union certainly agrees with Senator Dixon when he said upon introduction of this legislation:

> "...the level of farm income is an important indicator of the health of rural America. The level of farm income helps Congress to evaluate whether or not legislative action is required to preserve our vital food and fiber producing industry, an industry that contributes more to our balance of payments than any other. It is intolerable that we in Congress should be denied the information available to the Secretary of Agriculture."

In our discussions and deliberations on public policy, be it agricultural policy or in any other area, we must have an agreed-upon base to begin those deliberations. This is a function which the United States Department of Agriculture has performed and performed well over the long period of its existence under Rebublican and Democratic Administrations alike. We are concerned that this appears to be another attempt to circumvent a very important role of the Department of Agriculture and to cause its objectivity to be called into question.

It seems as though the Department of Agriculture is currently the only Department in the Administration to refuse to publish such information. As Senator Dixon pointed out in his introductory remarks:

> "Monthly publication of current economic statistics is hardly an unusual occurence. Most major indicators of the state of the economy are published monthly. We receive labor statistics, such as the unemployment rate and estimates of the number of people employed. We receive price statistics, such as the consumer price index and the producer price index. We receive national income statistics such as gross national product and personal income statistics. Why should we not have knowledge of the current status of the farm economy."

We urge the Subcommittee to consider the positive impact on public policy and agricultural financial planning to have the Department of Agriculture resume its monthly publication of these estimates.

We are also concerned, Mr. Chairman, with a much broader issue. That issue is the Department of Agriculture's overall policy on providing information to its constituency; farmers, traders, processors and consumers.

At the last annual convention of the National Farmers Union, the delegates addressed this issue in our policy statement, when they said:

> "We oppose proposals to charge user fees for government reports and information published by the USDA. The vital importance information plays in the lives of American farmers has been recognized since the inception of USDA in 1862. When the Deparment was formed, one of the two duties given to it by Congress was 'to acquire and diffuse among the people of the United States useful information on subjects connected with agriculture in the most general and comprehensive sense of that word.'
>
> "Historically, information and reports developed by USDA have been made available free of charge to assure their wide distribution and availability. To change that policy today, would be for the Department to turn its back on one of the first responsibilities mandated by Congress."

USDA'S PUBLIC INFORMATION MANDATE

The bill, which President Lincoln signed on May 15, 1862, creating the Department of Agriculture, was very clear in stating:

> "... There is hereby established at the seat of Government of the United States a Department of Agriculture, the general designs and duties of which shall be to acquire and to diffuse among the people of the United States useful information on subjects connected with agriculture in the most general and comprehensive sense of that word, and to procure, propagate, and distribute among the people new and valuable seeds and plants."

The Act further directed --

> "The Commissioner of agriculture to acquire and preserve in his Department all information concerning agriculture which he can obtain by means of books and correspondence, and by practical and scientific experiments (accurate records of which experiments shall be kept in his office), by collection of statistics, and by any other appropriate means within his power; to collect as he may be able, new and valuable seeds and plants; to test by cultivation, the value of such of them as may require such tests; to propagate such as may be worthy of propagation, and to distribute them among agriculturists."

The collection and distribution of agricultural information was a pre-eminent reason why the Deparment was sought.

National Farmers Union is disturbed by the decision of Department officials to turn away from this central mandate.

One of the most serious of these actions was taken last November, when without notice or consultation, USDA ceased the issuance of U.S. agricultural attache reports on agriculture in nations around the

world. These reports for years have been a most valuable source of data on agricultural policy, production and trade in other nations -- valuable particularly because they were spared political censorship.

Farmers Union regards the functions of the Economic Research Service as serving the critical need for timely and reliable economic information that addresses the variety of economic concerns and decision-making needs of farmers and others in agriculture.

While the economic research programs for FY 1983 are proposed in the Reagan Administration budget at essentially the same level as in 1982, the transmission of such information to farmers and other users is proposed to be cut back by $2.1 million.

Changes already made include:

*Elimination of the Farmers' Newsletters. It will be recalled that these newsletters on wheat, feed grains, livestock, oilseeds and cotton, were launched on a pilot basis and have grown in use to the extent that they were distributed to about 250,000 farmers who had requested them.

*The Newsline, a one-minute recorded message changed daily, reports news from the ERS Outlook and Situation section and the SRS Crop Reporting Board. About 10,000 calls a month are received by the Newsline. A charge is now made for the calls.

*ERS publications have been changed to a subscription basis. Free copies are limited to libraries and policy officials and a subscription fee is charged for all others that desire the publications.

USDA's budget summary notes that the "crop and livestock reports proposed for elimination by SRS are basically for the use of the public only and are not required for the administration of government programs."

Then, without advance notice and without the courtesy of consultation with the appropriate committees of the Congress, USDA recently eliminated 26 crop and livestock reports and reduced the coverage and frequency of others.

Among the 26 reports discontinued were such as "Field Crops", "Producer Grain Stocks", "Butter and American Cheese", "Sugar Market Statistics", and "Commercial Fertilizer".

The coverage of the "Cattle on Feed" has been reduced from 23 to 13 states, with Indiana, Michigan, Missouri, Montana, New Mexico, North Dakota, Ohio, Oregon, Pennsylvania and Wisconsin being eliminated.

The coverage of the "Hogs and Pigs" report has been reduced from 14 to 10 states, with Kentucky, South Dakota, Texas and Wisconsin being eliminated.

Several reports which were issued monthly are issued quarterly including "Cold Storage", "Dairy Products", "Eggs, Chickens and Turkeys", and "Livestock Slaughter".

As a matter of historical background, at the time that USDA was established and for years afterwards, many farmers felt they were being put at a disadvantage by misleading estimates and reports issued by processors, handlers and speculators.

Early in its history, National Farmers Union was active in seeking establishment of government agencies and reporting services which could issue reliable and honest production and supply data. In turn, Farmers

Union worked for creation of the Crop Reporting Board in 1905, the Bureau of Crop Estimates in 1914 and the Bureau of Agricultural Economics in 1922. In more recent times, Farmers Union has urged adequate funding of statistical services of the Department.

We believe that the dissemination of public information results in good public policy. The reports which the Department of Agriculture provided producers in the past free of charge were important for planning both production and financial activities. To limit access to these reports is to do a disservice to many of America's farmers. We urge this Committee and others of the Congress to utilize their appropriate oversight authorities to ascertain whether the Department of Agriculture, through these policy changes, is adequately meeting its public information mandate, and serving its constituency in the best manner.

(I am attaching, for the Subcommittee's information, a list of publications for which the Department is currently charging a subscription fee.)

Thank you.

ATTACHMENT A

August 1982

Dear Reader:

Starting October 1, the Foreign Agricultural Service will eliminate free distribution of its publications in order to comply with a government-wide policy that readers pay for a share of the costs of publishing these materials. The fees have been set to cover only the cost of printing, mailing and handling. A subscription form listing our publications is printed on the other side of this page. We hope you will use it to place your order as soon as possible so that there is no interruption in your receipt of our reports.

FAS will continue to supply a limited number of free copies to members of the news media and other government groups. If you wish to inquire whether you are eligible for a free subscription, please write to me and list the publications you desire to receive.

Sincerely yours,

Sally Turett, Head
FAS, Information Services Staff
Room 5918 South Building
U.S. Department of Agriculture
Washington, D.C. 20250

ATTACHMENT B

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Reports of USDA's Foreign Agricultural Service

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_____	10014	All 54 reports listed above	100.00	165.00
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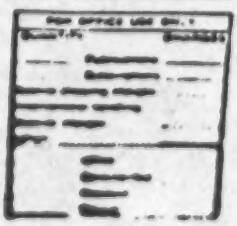

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97TH CONGRESS
2D SESSION

S. 2291

To require the Secretary of Agriculture to disseminate farm income estimates.

IN THE SENATE OF THE UNITED STATES

MARCH 29 (legislative day, FEBRUARY 22), 1982

Mr. DIXON (for himself, Mr. HUDDLESTON, Mr. LEAHY, Mr. ZORINSKY, Mr. MELCHER, Mr. PRYOR, Mr. BOREN, Mr. HEFLIN, and Mr. EXON) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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A BILL

To require the Secretary of Agriculture to disseminate farm income estimates.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 526 of the Revised Statutes (7 U.S.C. 2204) is amended by adding at the end thereof a new subsection (c) as follows:

"(c) The Secretary of Agriculture shall, by the fifteenth day of each month, make and disseminate estimates of gross farm receipts, production expenses of farmers, and net farm income for the past calendar year, the current calendar year, and, in the months of October through December, the forthcoming calendar year, based on the most recent data available to the Secretary.".

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., June 29, 1982.

Hon. JESSE HELMS,
Chairman, Committee on Agriculture, Nutrition and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your letter of April 1, 1982, requesting views of the Department of Agriculture on S. 2291, a bill to require the Secretary of Agriculture to make and disseminate estimates of gross farm receipts, production expenses, and net farm income on a monthly basis.

The Department of Agriculture does not recommend enactment of S. 2291.

One of the most important responsibilities of the Department of Agriculture is to provide, in a timely fashion, the most useful, complete, accurate, and objective information supported by a sound statistical and analytical foundation. Net farm income statistics prepared and released months in advance do not meet these conditions.

The basic problem relating to the net farm income estimates is that in the past, the Department has not done a good job of forecasting this statistic so far in advance. And as agriculture has become more interdependent with the U.S. and world economies, it has become increasingly sensitive to an entirely new set of factors which makes any net farm income estimate subject to greater variations than ever before. Exchange rates and interest rates are good examples of external factors that now impact the agricultural economy substantially. Small errors in estimating these variables can affect net farm income projections dramatically. For example, if gross farm income is overestimated by just 2 percent (an extremely high level of accuracy by statistical standards) and production expenses are underestimated by 2 percent, the resulting error in net farm income is about 30 percent.

While the agriculture sector has changed and adapted to its new environment, the data systems and economic indicators have not kept pace and their accuracy has diminished. The sector has simply become too diverse, too complex, and too dynamic to be prematurely assessed on the basis of a single aggregate statistic which relies on a limited data base. Farmers cannot tell you what their net farm incomes will be a year in advance and it is unrealistic to believe that the Department can aggregate over 2.4 million farmers into a single net income measure that is reliable. Farmers do not need an estimate of net farm income to know the circumstances they face at the current time so why waste taxpayer dollars to provide an unreliable net farm income estimate that is not useful for farmers or anyone else?

On the basis that early estimates of net farm income are not accurate, the Department feels it should not be calculated and reported until such time as a reliable statistical base existed for its estimation. Historical evidence indicates that this would be after the results of the June production expense survey and the August crop report have been evaluated. The first 1982 net farm income estimate will be released in September 1982—but only in conjunction with the full range of economic indicators that are needed to properly evaluate the health of the sector. I sincerely believe that the current policy is in the best interest of farmers and taxpayers alike.

The Office of Management and Budget advises that there is no objection to presentation of this report from the standpoint of the Administration's program.

Sincerely,

JOHN R. BLOCK, *Secretary.*

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